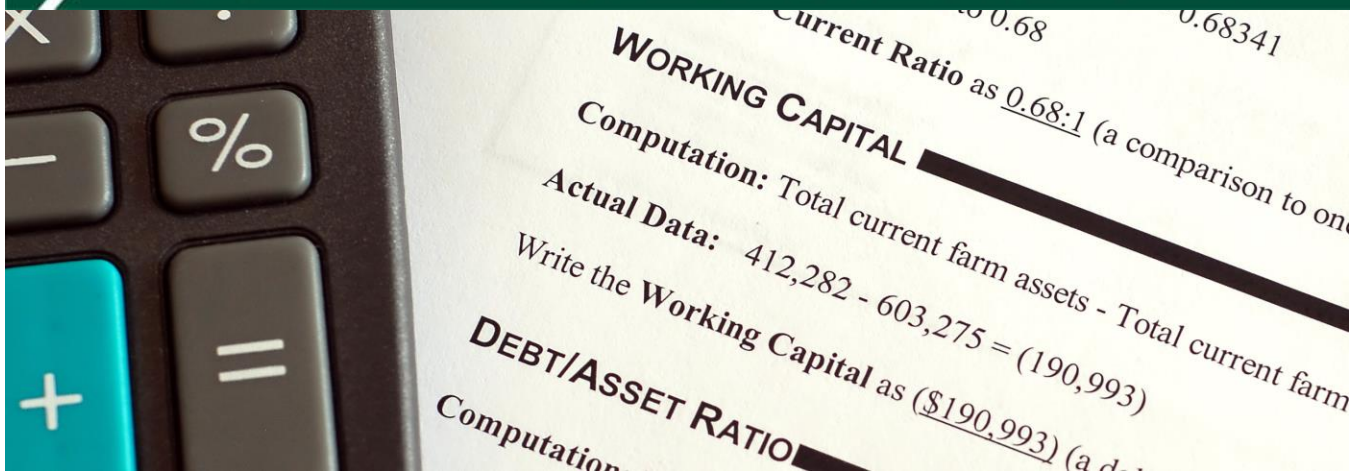


DEMaND

Developing and Educating Managers and New Decision-makers



Are you planning to be the next generation farm operator? Whether you represent the transition of generations, or that of employee to owner or as a new entrant to the business, a fresh look at management will be necessary. Michigan State University Extension (MSU) offers help to beginning farmers with this transition through the Beginning Farmer DEMaND series offering articles, workshops and additional resources.

Farm Financial Statements

The financial position of your farm is important to the future success of your business. Identifying that position and overall financial performance is summarized through several important statements. These statements illustrate various aspects of your business including net worth, profitability, and cash flow.

Information from these statements can be very useful, including:

- Making important financing, operating, and investment decisions.
- Provide needed information for credit applications.
- Analyze the performance of the farm business.
- Create budgets for use in planning.

Balance Sheets

The balance sheet provides a snapshot of a business' assets, liabilities, and net worth (known as owner equity). Created at least once a year, typically at the end of each fiscal year.

- [Balance Sheet Walkthrough Videos](#) (Michigan State University)
- [What is a balance sheet?](#) (University of Minnesota)
- [Understanding Net Worth](#) (Iowa State University)
- [Balance Sheet Basics Online Course](#) (Northwest Farm Credit Services)

Balance Sheet Forms

- [Balance Sheet](#) (Michigan State University) - Excel Spreadsheet Template
- [Balance Sheet](#) (USDA Farm Service Agency, Form FSA-2037)
- [Balance Sheet: A Financial Management Tool](#) (Kansas State University) – PDF or Excel Spreadsheet

Balance Sheet			
12/31/2022		MSU Example Farm	
FARM			
Current Assets		Current Liabilities	
Cash	\$17,500.00	Accounts Payable	\$2,500.00
Prepaid Expenses & Supplies	\$47,250.00	Current Principal Due	\$68,457.33
Growing Crops	\$8,400.00	Interest Accrual	\$10,642.67
Accounts Receivable	\$15,000.00		
Crop Inventory	\$66,050.00		
Livestock Held for Sale	\$5,750.00		
Other Assets	\$0.00		
Total Current Assets	\$155,950.00	Total Current Liabilities	\$81,600.00
Intermediate Assets		Intermediate Liabilities	
Machinery & Equipment	\$15,800.00	Non-Current Principal	\$5,857.87
Farm Vehicles	\$30,000.00		
Breeding Livestock	\$17,750.00		
Other Assets	\$41,000.00		
Total Intermediate Assets	\$104,550.00	Total Intermediate Liabilities	\$5,657.87
Long-Term Assets		Long-Term Liabilities	
Buildings & Improvements	\$103,350.00	Non-Current Principal	\$196,358.80
Real Estate	\$654,000.00		
Other Long-Term Assets	\$35,000.00		
Total Long-Term Assets	\$792,350.00	Total Long-Term Liabilities	\$196,358.80
TOTAL FARM ASSETS	\$1,052,850.00	TOTAL FARM LIABILITIES	\$283,616.67
		OWNER EQUITY (FARM)	\$769,233.33
PERSONAL			
Current Assets		Current Liabilities	
Cash	\$0.00	Accounts Payable	\$0.00
Life Insurance	\$0.00	Current Portion Due	\$0.00
Retirement Account	\$0.00	Interest Accrual	\$0.00
Total Current Assets	\$0.00	Total Current Liabilities	\$0.00
Intermediate Assets		Intermediate Liabilities	
Personal Vehicles	\$0.00	Non-Current Principal	\$0.00
Total Intermediate Assets	\$0.00	Total Intermediate Liabilities	\$0.00
Long-Term Assets		Long-Term Liabilities	
Real Estate	\$0.00	Non-Current Principal	\$0.00
Total Long-Term Assets	\$0.00	Total Long-Term Liabilities	\$0.00
TOTAL PERSONAL ASSETS	\$0.00	TOTAL PERSONAL LIABILITIES	\$0.00
		OWNER EQUITY (PERSONAL)	\$0.00
FARM & PERSONAL			
TOTAL ASSETS	\$1,052,850.00	TOTAL LIABILITIES	\$283,616.67
		OWNER EQUITY	\$769,233.33

Figure 1. MSU Balance Sheet Template.

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Income Statement

The income statement provides a measure of profitability for a farm or business over a specific period of time (often a calendar year). It shows all of the income and expenses from inventories and cash transactions.

- [What is an Income Statement?](#) (University of Minnesota)
- [Your Farm Income Statement](#) (Iowa State University)
- [Creating An Income Statement For Your Farm - Walkthrough Videos](#) (Michigan State University)

Income Statement Forms

- [Income Statement](#) (Michigan State University) - Excel Spreadsheet Template
- [Projected Income & Expense](#) (USDA Farm Service Agency, Form FSA-2038)
- [Income Statement: A Financial Management Tool](#) (Kansas State University) – PDF or Excel Spreadsheet

Cash Flow Statement & Projections

The cash flow statement provides information on how changes from the balance sheet and cash transactions (income) affect the farm business' overall cash position. It analyzes how cash was used to meet financing, investing, and operating activities during a specific period.

- [Creating and Understanding The Cash Flow Statement](#) (Michigan State University)
- [What is a statement of cash flows?](#) (University of Minnesota)
- [Understanding Cash Flow Analysis](#) (Iowa State University)
- [Preparing a Projected Cash Flow Statement](#) (Purdue Extension)
- [Cash Flow Budget Online Course](#) (Northwest Farm Credit Services)

Cash Flow Statement Forms

- [Comprehensive Financial Statements](#) (Iowa State University) a tool that includes fillable balance sheets as well as income and cash flow statements.

Cash Flow Projection Forms

- [MSU Statement of Cash Flows](#) (Michigan State University) - Excel Spreadsheet Template, used to summarize cash movement in and out of the farm business.
- [MSU Cash Flow Estimator](#) (Michigan State University) - Excel Spreadsheet Template, used to help farm managers develop a cash flow projection.
- [Cash Flow Projection for Operating Loan Determination](#) (Kansas State University) – PDF or Excel Spreadsheet available

Statement of Cash Flows		2022	
	Cash In	Cash Out	
Operating - Cash Provided by Operating Activities			
Gross cash farm income	\$ 1,150,194.00		
Cash farm expenses		\$ 914,359.00	
Investing - Cash Provided by Investing Activities			
Sales of capital assets	\$ 48,341.00		
Purchase of machinery, equipment, and farm buildings		\$ 57,440.00	
Financing - Cash Provided by Financing Activities			
Money borrowed	\$ 645,079.00		
Principal Payments		\$ 820,073.00	
Non-Farm Activities			
Non-farm cash invested in the farm business	\$ -		\$ 63,147.00
Cash withdrawn for family/living, taxes, savings, etc.			
Cash-on-Hand (from beginning and ending balance sheets)			
Beginning of year cash	\$ 10,417.00		
End of year cash			\$ (988.00)
Total Cash-In and Cash-Out	\$1,854,031		\$1,854,031

MICHIGAN STATE UNIVERSITY | Extension MSU Example

Figure 2. Page 1 MSU Statement of Cash Flows Template.

Statement of Cash Flows		2022	
Beginning cash balance		\$	10,417.00
Gross cash farm income		\$	1,150,194.00
Cash farm expenses	-	\$	914,359.00
Cash provided by operating activities	=	\$	235,835.00
Sale of capital assets		\$	48,341.00
Purchase of machinery, equipment and farm buildings	-	\$	57,440.00
Cash provided by investing activities	=	\$	(9,099.00)
Money borrowed		\$	645,079.00
Principal payments	-	\$	820,073.00
Personal income	+	\$	-
Owner withdrawals and income taxes paid	-	\$	63,147.00
Cash provided by financing activities	=	\$	(238,141.00)
Net change in cash		\$	(11,405.00)
Ending cash balance		\$	(988.00)
Discrepancy		No Discrepancy	\$ -

MICHIGAN STATE UNIVERSITY | Extension MSU Example

Figure 3. Page 2 MSU Statement of Cash Flows template.

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Additional Resources

The following are resources related to financial statements that may be helpful to your farm business.

Farm Financial Analysis

- [Business Analysis Handbooks](#) (Michigan State University) provide all three financial statements and a guide on how to analyze the farm's financial position and performance.
- [FINPACK](#) (University of Minnesota) is a complete credit management solution that seamlessly integrates loan processes to reduce origination costs, improve compliance, and speed loan approvals.
- [Developing & Interpreting Your Financial Statements and Measures Online Course](#) (University of Minnesota) - Put financial statements and measures to work on your farm or ranch business.
- [Comprehensive Financial Statements](#) (Iowa State University) - An Excel based decision tool that combines Net Worth Statement, Net Farm Income Statement, Statement of Cash Flows, and Statement of Owner Equity to help managers evaluate financial performance. Based off of publication [C3-56: Farm Financial Statements](#).

Farm Recordkeeping

- [Production Record Accuracy Check Template](#) (Michigan State University) - a decision tool to help ensure production records are accurate and complete.
- [TelFarm](#) (Michigan State University) provides accounting and record keeping support to Michigan farmers.
- [The Farm Records Book for Management](#) (Michigan State University) is a workbook to keep track of your farm income and expenses. The book can be used in Excel, Google Sheets, or printed off to fill out by hand.