



**COOPERATIVE EXTENSION**  
*College of Agriculture, Forestry and Life Sciences*

**FINANCIAL PRIMER**  
**BROWN FAMILY FARMS**

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# Finance

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A branch of economics concerned with **resource allocation** as well as resource management, acquisition and investment.

“Strategic planning is...

- *an organization's process of defining its strategy or direction and making decisions on **allocating its resources** to pursue this strategy.”*

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# Financial Analysis

- **Financial Position**

- Total resources controlled by a business and total claims against those resources, at a single point in time.
- Capacity of business to withstand risk.
- **Benchmark for measuring results of future business decisions**

- **Financial Performance**

- Results of production and financial decisions, over one or more periods of time.
- **Includes impact of external forces beyond control**
- Results of decisions made in ordinary course of business

Source: FFSC-Financial Guidelines for Agriculture. January 2015 III-1

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## Records: *What Do You Want Know?*



**Income Tax Reporting?**



**Financing?**



**Financial Performance?**

Whole Business  
Crop/Enterprise  
Field by Field?



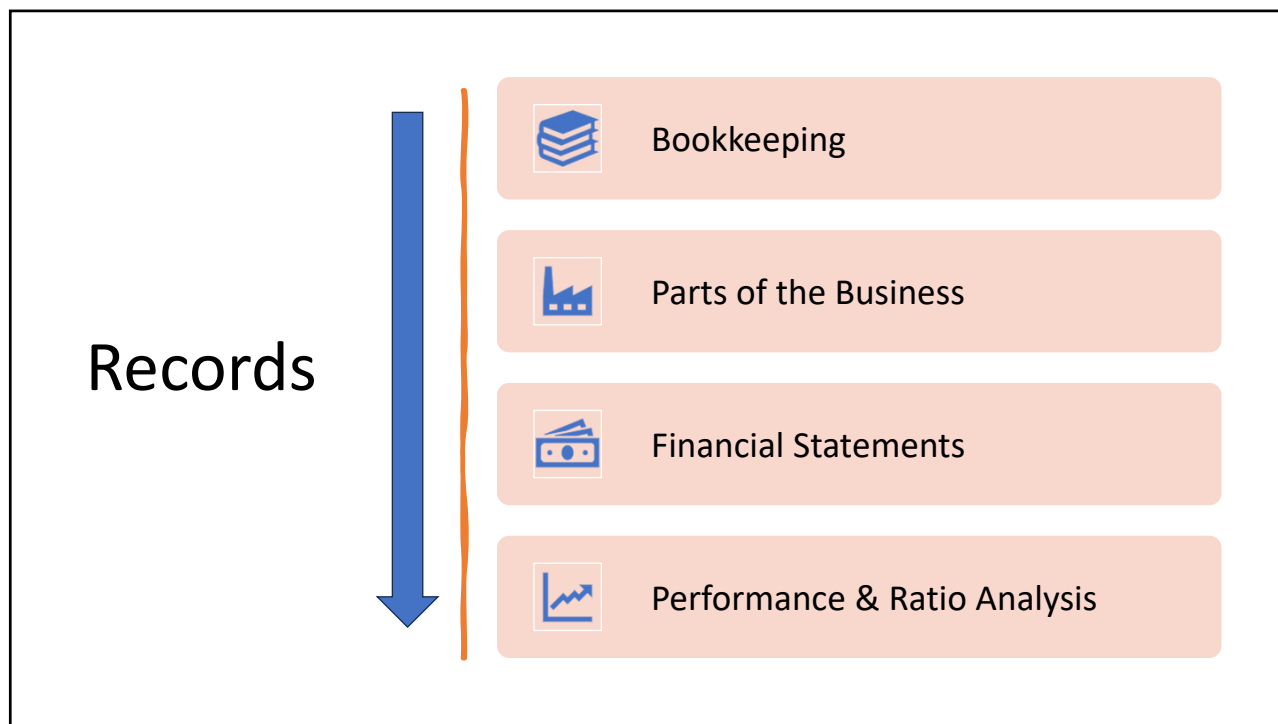
**Analyze business strengths/opportunities?**




**Planning?**

Estate Tax Planning  
Retirement Planning  
Transition Planning

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## Financial Statements

### Balance Sheets

**Financial Position** on a certain date

**Cost Basis** statements list asset values at their original cost, less depreciation.

**Fair Market Value** statements list assets at a price that they will likely sell for in a competitive market

**Which one is better?**

EOY Balance Sheet			
ASSETS		LIABILITIES	
Cash		A/P	
A/R		Operating Loans	
Inventory		Accrued Interest	
PP		Accrued Taxes	
		Prin Due < 12 Mo	
Total CA		Total CL	
Brdg Lvstk		Prin Due > 12 Mo	
Equipment			
Land			
Total NCA		Total NCL	
		Total Liabilities	
		Owner Equity	
Total Assets		Liab & Equity	

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Brown Family Farm Financial Analysis: Oper 25

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Income Statement

Income	Quantity	Price	Amount	Expense	Amount
Corn, NC	125,500 bu.	5.60/bu.	702,733	Seed and plants	557,300
Corn, OC	242,525 bu.	5.64/bu.	1,367,841	Fertilizer	984,369
Cotton, OC	256,600 lb.	0.71/lb.	182,386	Crop chemicals	729,961
Pkg Cotton, NC	42,200 owt.	18.36/owt.	775,058	Crop insurance	88,776
Peanuts, NC	2,380,557 lb.	0.25/lb.	596,223	Drying expense	425,309
Soybeans, OC	26,325 bu.	10.50/bu.	276,413	Storage	95,000
Summer Squash, NC	73,350 bu.	17.35/bu.	1,272,625	Irrigation energy	198,659
Swt Potatoes, OC	95,075 ton	9.25/ton	879,444	Crop Supplies	11,243
Swt Potatoes, NC	30,000 ton	10.00/ton	300,000	Crop Custom hire	85,937
FCR Tobacco, NC	727,500 lb.	2.06/lb.	1,502,288	Crop Hauling and trucking	155,815
Other government payments			750,071	Crop Consultants	45,777
Custom work income			64,000	Crop Marketing	345,050
Patronage dividends, cash			15,698	Interest	265,771
Crop insurance income			78,500	Supplies	199,758
				Fuel & oil	293,744
				Repairs	333,185
				Hired labor	2,770,937
				Land rent	315,000
				Personal property taxes	80,000
				Farm insurance	136,364
				Utilities	124,369
				Dues & professional fees	102,355
Gross cash income			8,773,262	Total cash expense	8,352,757
				Net cash income	420,505

Inventory Changes	Beginning Inventory	Purchases/Deposits	Sales/Withdrawals	Ending Inventory	Inventory Change
Prepays and supplies	17,490			26,872	12,382
Accounts receivable	-			387,969	387,969
Hedging gains or losses	58,750	-	62,380	24,225	27,655
Crops and feed	2,680,442			3,265,600	585,158
Other assets	60,400			60,400	-
Accounts payable	150,300			150,200	100
Accrued interest	42,870			110,498	-67,628
Total inventory change					945,836
Net operating profit					1,366,341
Depreciation	Beginning Inventory	Purchases	Sales	Ending Inventory	Depreciation
Machinery and equipment	1,026,437	460,000	-	1,267,109	-262,331
Titled vehicles	-	-	-	-	-
Buildings and improvement	-	-	-	-	-
Total depreciation					-262,331
Net income from operations					1,104,010
Gain or loss on capital sales					40,000
Net farm income					1,144,010

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# Financial Statements

## Statement of Cash Flows

Summarizes cash activity for all parts of business -- Operations, Assets, Liabilities, and Equity

### Financial Position or Performance?

#### Statement of Cash Flows

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(f) Beginning cash balance (farm & personal)		302,005
Gross cash farm income		8,773,262
Cash farm expenses	(-)	8,352,757
Net cash from hedging transactions	(+)	62,380
(g) Cash provided by operating activities	(=)	482,885
Sale of machinery and equipment	(+)	40,000
Purchase of machinery and equipment	(-)	490,000
(h) Cash provided by investing activities	(=)	-450,000
Money borrowed		3,722,500
Principal payments	(-)	3,175,148
Personal income	(+)	-
Owner withdrawals	(-)	415,000
Income taxes paid	(-)	-
(i) Cash provided by financing activities	(=)	132,352
Net change in cash	(g+h+i)	165,237
Ending cash balance (farm and personal)		467,242

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## Financial Statements

### Statement of Owner Equity

Reports changes in owner equity  
 Earned versus valuation

**Financial Position or Performance?**

### Statement of Owner's Equity

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(a) Beginning net worth		5,806,082
Net farm income		1,154,010
Personal income	(+)	-
Owner withdrawals	(-)	415,000
Income taxes accrued	(-)	-
Change in personal assets	(+)	-
Change in nonfarm accounts payable	(+)	-
(b) Total change in retained earnings	(+)	739,010
Change in market value of capital assets		-332,857
Change in deferred liabilities	(-)	265,037
(d) Total change in market valuation	=	-597,894
(e) Total change in net worth	(b+d)	141,116
Ending net worth		5,947,198

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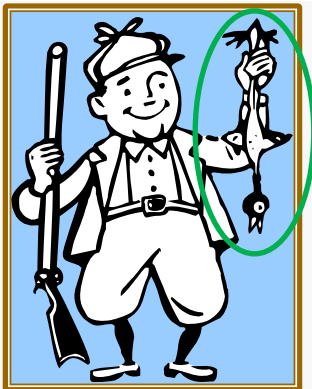
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# WHO IS FLOID?

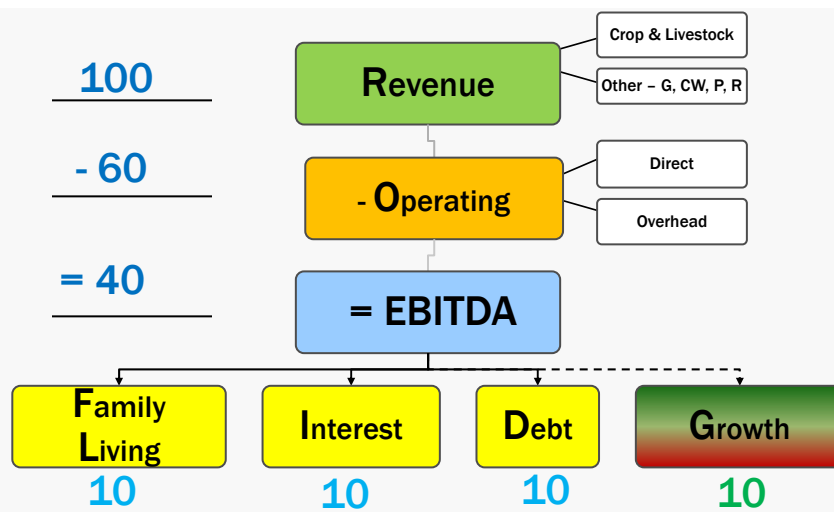


What if Revenue is	= \$1,000,000
Family Living & taxes	\$100,000
Operating expenses	\$600,000
Interest	\$70,000
Debt (principal)	\$130,000
asset Growth of	\$100,000

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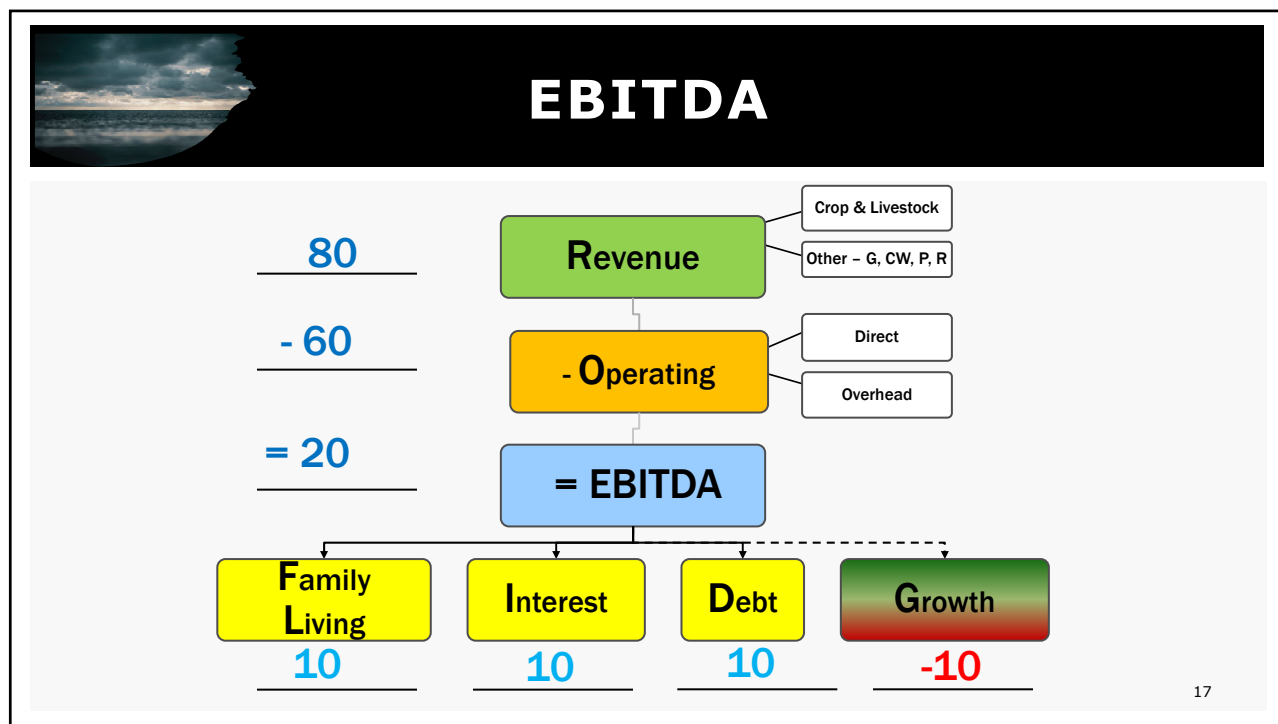
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# EBITDA

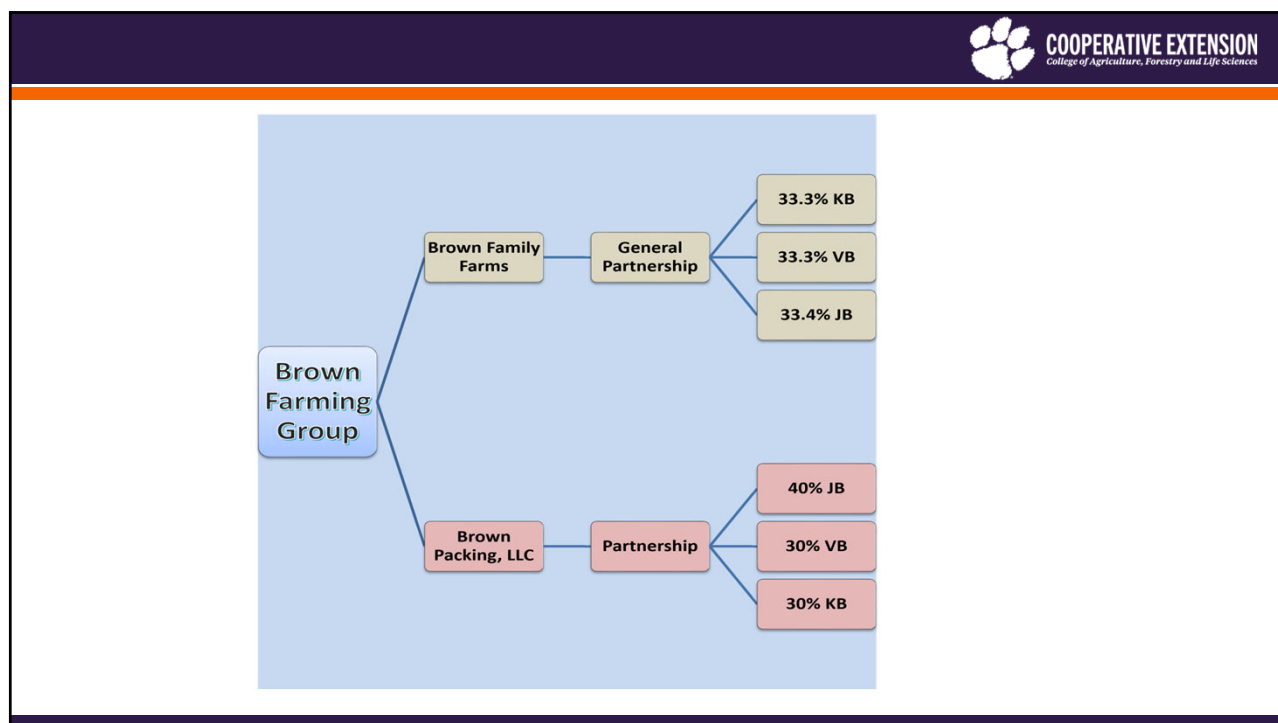


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# Known Knowns

## Side by Side Analysis

### Financial:

	2021	2022	2023	2024	2025
<b>EBITDA SUPPLY &amp; DEMAND</b>					
Revenue	9,261,336	8,307,087	8,926,670	7,783,684	9,774,244
- Operating Expenses	7,094,939	7,335,950	7,432,524	7,530,868	8,074,504
= EBITDA (Supply)	2,166,397	971,137	1,494,146	252,816	1,699,740
<b>EBITDA Uses:</b>					
Family Living & taxes	325,000	350,000	375,000	340,000	415,000
+ Interest expense	283,719	243,267	237,867	211,718	333,399
+ term Debt due (BOY)	263,434	245,790	205,272	281,224	368,109
= EBITDA Uses (Demand)	872,153	839,057	818,139	832,942	1,116,508
= Available for Asset GROWTH	1,294,244	132,080	676,007	(580,126)	583,232
<b>BALANCE SHEET</b>					
	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
Total Current Assets	4,211,071	3,616,839	2,692,288	3,058,687	4,174,908
Total Assets	9,797,309	9,297,414	8,958,102	9,837,689	10,858,722
Total Current Liabilities	3,002,223	2,271,696	900,743	1,988,449	2,967,948
Total Liabilities	3,756,184	3,059,081	1,939,751	3,262,553	3,877,443
Owner Equity	6,041,125	6,238,333	7,018,351	6,575,136	6,981,279

OTHER INFORMATION	2021	2022	2023	2024	2025
Crop Govt Payments	119,424	5,000	32,375	62,000	759,071
Crop Insurance Income	-	287,470	367,429	670,333	76,500
Change in LOC Balance	(104,747)	(624,567)	(1,432,367)	880,883	915,462
Operating Interest	245,888	204,478	198,231	142,095	253,693
Term Debt Payments (P&I)	301,265	284,579	244,908	350,847	447,815
Depreciation	646,875	330,540	371,438	390,625	252,331
Cash On Hand	401,008	359,452	319,265	302,500	467,242

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## Analyze the Business

1. Profitability
2. Efficiency
3. Liquidity
4. Solvency
5. Repayment Capacity



- Sensitivity Analysis
- Trends are important!
- Business structure
- Business goals

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KEY FINANCIAL RATIOS	2021	2022	2023	2024	2025	Formulas
Current Equity ( <i>Working Capital</i> )	1,208,848	1,345,143	1,791,545	1,070,238	1,206,960	Current Assets – Current Liabilities
Net Farm Income-Operations	1,235,803	397,330	884,841	(349,527)	1,114,010	Net Farm Income - Operations
Government Payment/EBITDA	5.5%	0.5%	2.2%	24.5%	44.7%	Government Payment/EBITDA
Working Capital Sufficiency	17.0%	18.3%	24.1%	14.2%	14.9%	Current Equity / Operating Expenses
Cash to Current Assets	10%	10%	12%	10%	11%	Cash / Current Assets
WC Burn Rate: Debt Service	4.0	4.7	7.3	3.1	2.7	Current Equity / Term Debt Payments
Equity to Asset Ratio:	62%	67%	78%	67%	64%	Owner Equity / Total Assets
Debt Efficiency	0.35	0.81	0.70	5.04	0.54	Non Current Liabilities / EBITDA
EBITDA Efficiency	23%	12%	17%	3%	17%	EBITDA / Revenue
Asset Turnover	95%	89%	100%	79%	90%	Revenue / Total Assets
Rate of Return on Assets	12%	3%	8%	-5%	10%	(EBITDA - FL - Deprec ) / Total Assets
Family Living Withdrawals	15%	36%	25%	134%	24%	Family Living / EBITDA
Term Debt Coverage Ratio	530%	146%	376%	-65%	230%	(EBITDA-FL-Op Int) / Term Debt Payment (P&I)

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## Known Knowns

### Side by Side Analysis

### Financial Dashboard

Practice:	Vulnerable	Resilient	Agile	2021	2022	2023	2024	2025
EBITDA Efficiency	< 15 %	15 – 25 %	> 25 %	23%	12%	17%	3%	17%
Formula: EBITDA / Revenue								

**FINANCIAL EFFICIENCY**

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## EFFICIENCY IMPACTS

- EBITDA Goal = \$1,000,000
- EBITDA Sufficiency = EBITDA/Revenue

	EBITDA	\$1,000,000	\$1,000,000	\$1,000,000
BETTER	EBITDA Sufficiency	20%	30%	40%
BIGGER	Revenue Requirement	\$5,000,000	\$3,333,333	\$2,500,000

Better is better, before bigger is better!

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### Side by Side Analysis

### Financial Dashboard

Practice:	Vulnerable	Resilient	Agile	2021	2022	2023	2024	2025
Working Capital Sufficiency	< 10 %	10 – 25 %	> 25 %	17.0%	18.3%	24.1%	14.2%	14.9%
Formula: (Current Assets – Current Liabilities) / Operating Expenses								
Cash to Current Assets	< 5 %	5 – 15 %	> 15 %	9.5%	9.9%	11.9%	9.9%	11.2%
Formula: Cash / Total Current Assets								
WC Burn Rate: Debt Service	< 1:1	1:1 – 5:1	> 5:1	4.0	4.7	7.3	3.1	2.7
Formula: Working Capital / Term Debt Payments								

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LIQUIDITY

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## Side by Side Analysis

## Financial Dashboard

Practice:	Vulnerable	Resilient	Agile	2021	2022	2023	2024	2025
4 Equity to Asset Ratio:	< 40 %	40 – 70 %	> 70 %	62%	67%	78%	67%	64%
Formula: Total Equity / Total Assets								
<b>SOLVENCY</b>								
6 Debt Efficiency	> 6:1	3:1 – 6:1	< 3:1	0.35	0.81	0.70	5.04	0.54
Formula: Term Debt / EBITDA								
<b>FINANCIAL EFFICIENCY</b>								
8 Asset Turnover	< 30 %	30 – 70 %	> 70 %	95%	89%	100%	79%	90%
Formula: Revenue / Total Assets								
<b>FINANCIAL EFFICIENCY</b>								

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## ASSET TURNOVER

### ■ Hog Integrator

- Asset -- "Gilt" worth \$300
- Revenue -- Gilt 2 litters of 10 pigs @ \$175
- ATO =  $\frac{2 * 10 * 175}{\$300} = \frac{\$3500}{\$300} = \mathbf{11.7}$

### ■ Producer

- Asset -- Building \$125,000 per 1000 head
- Revenue - \$12 / head
- ATO =  $\frac{\$12}{125k/1000/2X} = \frac{\$12}{\$62} = \mathbf{.20}$


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## LAND ASSET TURNOVER

Crop Revenue		
Land value / Acre		
ATO		

**When you “buy” a “rented” acre,  
Does Revenue change?**

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<div>  <b>COOPERATIVE EXTENSION</b>  <small>College of Agriculture, Forestry and Life Sciences</small> </div>									
Side by Side Analysis					Financial Dashboard				
Practice:	Vulnerable	Resilient	Agile	2021	2022	2023	2024	2025	
9 Rate of Return on Assets	< 2 %	2 – 8 %	> 8 %	12%	3%	8%	-5%	10%	
Formula: $\frac{\text{EBITDA} - \text{FL-Deprec}}{\text{Total Assets}}$									
PROFITABILITY									
10 Family Living Withdrawals	> 25 %	15 – 25 %	< 15 %	15%	36%	25%	134%	24%	
Formula: $\text{FL} / \text{EBITDA}$									
CAPACITY									
11 Term Debt Coverage Ratio	< 110 %	110 – 125 %	> 125 %	530%	146%	376%	-65%	230%	
Formula: $(\text{EBITDA} - \text{FL-Op Int}) / \text{Term Debt Payment (P\&I)}$									
REPAYMENT CAPACITY									

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## Side by Side Analysis

## Financial Dashboard

Brown Family Farms - Oper

Practice:	Vulnerable	Resilient	Agile		
Core Equity Burn Rate	< 3:1	3:1 – 7: 1	> 7:1		
Formula: Excess Reserves / (EBITDA - FL - Interest - Debt payments)				Assume loss of	
Assets	12/31/2025 Market Value	Loan Max	Borrowing Capacity	RE Liability 12/31/2025	Excess Reserve
Real Estate & Buildings	2,100,000	65%	1,365,000	442,130	922,870
Real Estate & Buildings (20% Drop)	1,680,000	65%	1,092,000	442,130	649,870
* Real estate is primary core asset in todays economy.					
CAPACITY					

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## Action Plans

Frustrated with indirect projections of ideas

Brown Family Farms - Oper

EBITDA Improvement Plan			
Metric:	Vulnerable	Resilient	Agile
EBITDA Efficiency	< 15 %	15 – 25 %	> 25 %
Revenue Strategies:			
	2025	% of Revenue	
Revenue	9,774,244	100%	
- Operating	8,074,504	83%	
= EBITDA	1,699,740	17%	
2026 EBITDA Goal >	1,954,849	20%	
EBITDA CHANGE Needed:	255,109	Expense Strategies:	

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### Working Capital Improvement Plan

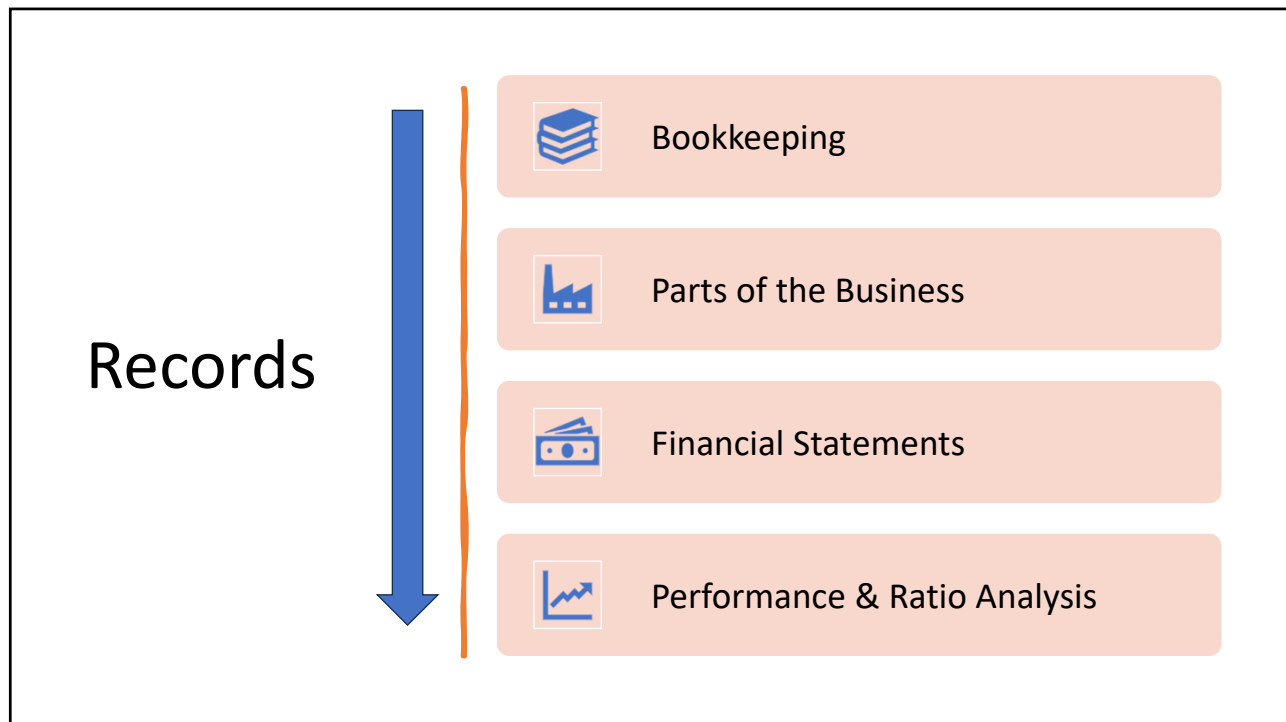
Metric:	Vulnerable	Resilient	Agile
Working Capital Sufficiency	< 10 %	10 – 25 %	> 25 %
2025			
Family Living Strategies:			
Current Assets	4,174,908		
- Current Liabilities	2,967,948		
= Working Capital	1,206,960		
/ Operating Expenses	8,074,504	15%	
2025 WC Goal is	1,776,391	22%	
WORKING CAPITAL CHANGE:	569,431		
WC Burn Rate: Debt Service	< 1:1	1:1 – 5:1	> 5:1
Liability Strategies:			
Working Capital	1,206,960		
/ Term Debt Payments	447,815	2.70	
2025 WC Goal is	2,239,075	5.00	
WORKING CAPITAL CHANGE:	1,032,115		

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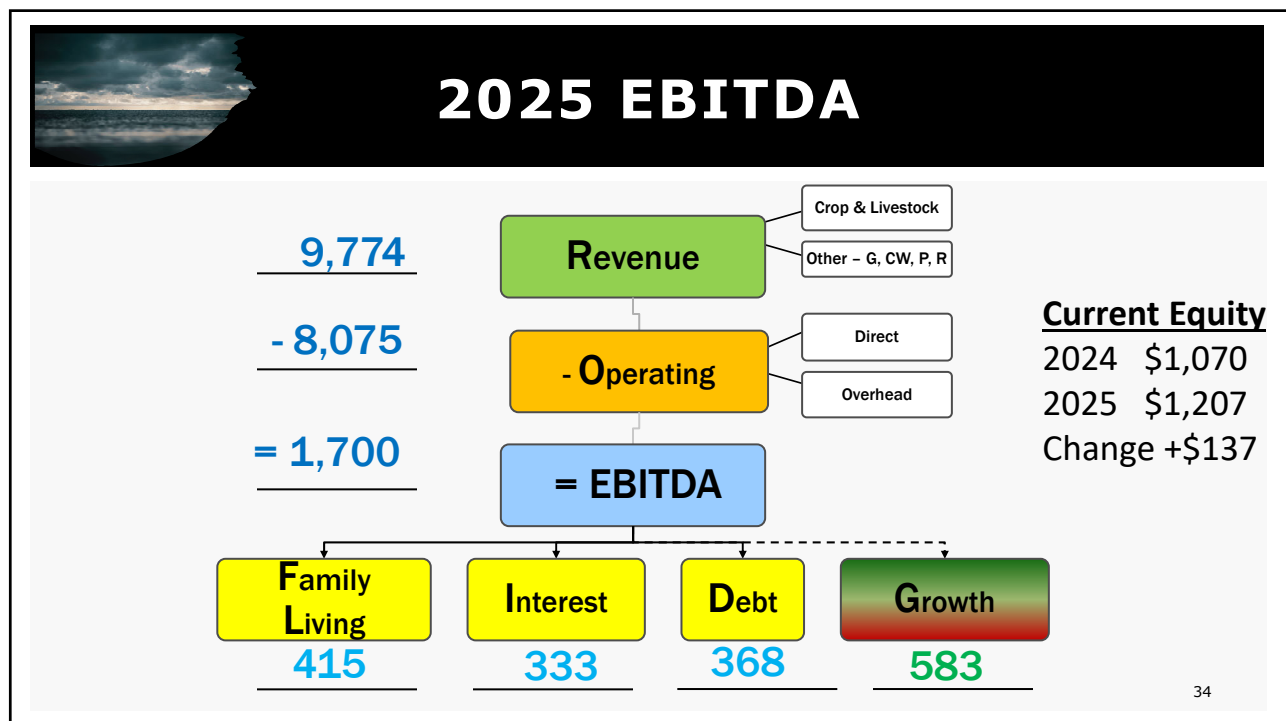


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## Action Plans

*Frustrated with indirect projections of ideas*

Brown Family Farms - Oper

### EBITDA Improvement Plan

Metric:	Vulnerable	Resilient	Agile
EBITDA Efficiency	< 15 %	15 – 25 %	> 25 %
Revenue Strategies:			
	2025	% of Revenue	
Revenue	9,774,244	100%	
- Operating	8,074,504	83%	
= EBITDA	1,699,740	17%	
2026 EBITDA Goal >	1,954,849	20%	
EBITDA CHANGE Needed:	255,109		Expense Strategies:

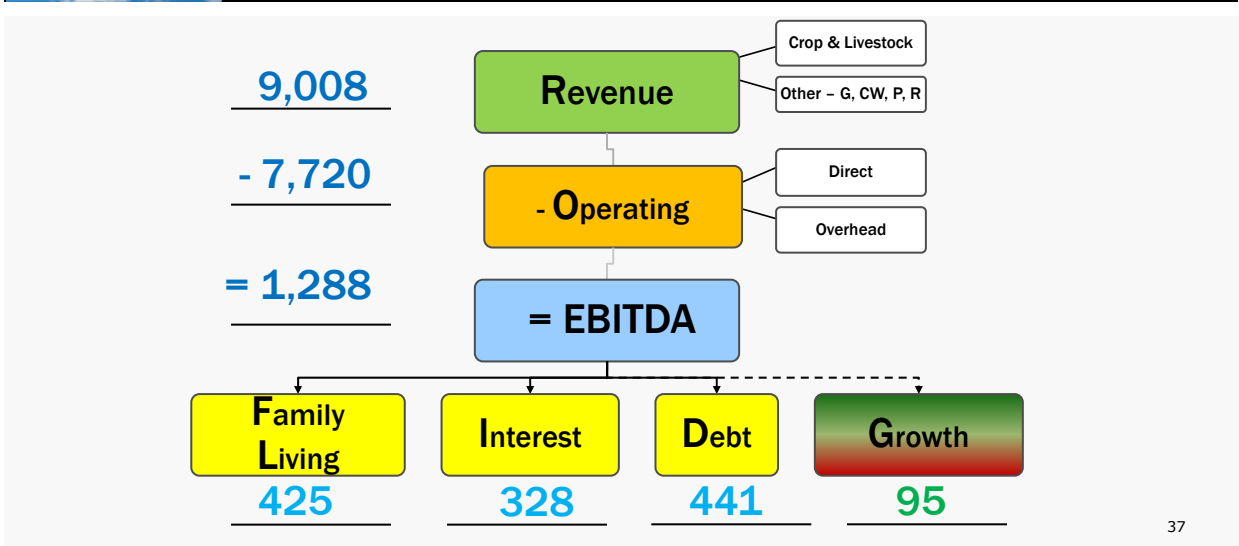
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### Working Capital Improvement Plan

Metric:	Vulnerable	Resilient	Agile
Working Capital Sufficiency	< 10 %	10 – 25 %	> 25 %
Family Living Strategies:			
	2025		
Current Assets	4,174,908		
- Current Liabilities	2,967,948		
= Working Capital	1,206,960		
/ Operating Expenses	8,074,504	15%	
2025 WC Goal is	1,776,391	22%	
WORKING CAPITAL CHANGE:	569,431		
WC Burn Rate: Debt Service	< 1:1	1:1 – 5:1	> 5:1
Liability Strategies:			
Working Capital	1,206,960		
/ Term Debt Payments	447,815	2.70	
2025 WC Goal is	2,239,075	5.00	
WORKING CAPITAL CHANGE:	1,032,115		

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## 2026 EBITDA BASE LINE



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FINPACK®

TEAM: \_\_\_\_\_

*Brown Family Farm  
Oper 2026 Projection*

**INSTRUCTIONS:** Printed values are from OPER 2026 PROJECTION. Enter new values in spaces provided.  
If budget changes are made, indicate the crop and ATTACH budget changes on the attached sheets.

Crop	Operating Cost	Current Yield	Our Yield	Current Acres	Our Acres	Budget Changes (+/-)
Cotton	\$ 708	950		200		
Corn, Irr.	\$ 860	200		1700		
Soybeans	\$ 442	38		850		
Tobacco	\$4,145	2400		300		
Swt Potatoes	\$4,385	485		600		
Peanuts	\$3,001	4000		250		
Cukes, Irr.	\$1,704	140		300		
Squash, Irr.	\$3,019	250		300		

**CAPITAL SALES & PURCHASES:** List any assets CHANGES below.

Asset Sold:	Sales Price	Asset Purchased	Cost

**NEW FINANCING:**

LENDER:	INTEREST RATE	AMOUNT BORROWED	YEARS FINANCED	PURPOSE:

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