FINANCIAL FUNDAMENTALS FOR FOOD HUBS, PART 4: STATEMENT OF CASH FLOWS
Tuesday, March 14, 2017

Presentation Outline

- Welcome
  Wallace Center at Winrock
  International
- Statement of Cash Flows
- Questions and Answers
- Upcoming Sessions

To Ask a Question

Type your question in the small box at the bottom of the Questions box.
If possible, specify which panelist(s) you are addressing with your question.
Press “Send”!
Presentation Outline

- Welcome
- **Statement of Cash Flows**
  - Gary Matteson, Farm Credit Council
  - Erin Pirro, Farm Credit East
- Questions and Answers
- Upcoming Sessions
The Three Main Reports

- Balance Sheet = Snapshot (at beginning and end)
- Income Statement = Movie
- Statement of Cash Flows = Synopsis (with the plot twist explanations)

Purpose

- Track the flow of money in and money out - it isn’t always income or expense
- To show how the balance sheet changes are affecting cash
- Recording a clear picture of everything that happened

Keys to know

- No new accounts here - you created them already!
- Shows sources and uses of cash - Source is positive - Use is negative
- Don’t manage by what’s in your checkbook
- Can forecast this – just like P/L and B/S
Statement of Cash Flows

• Three parts:
  - Operations
  - Investments
  - Financing

SOCF: Operations

• Net accrual income
  - remember those adjustments?
• Changes in
  - A/R
  - Supplies
  - Inventory
  - Prepaids
  - A/P
  - Accrued Expenses
  - Plus depreciation!

SOCF: Financing

• Borrowing
• Repayment
• Contributions
• Draws
**SOCF: Investments**

- Capital Purchases
- Capital Sales
- Details!
  - A trade in/trade up isn’t a $10,000 purchase, it’s a
  - $25,000 sale and a
  - $35,000 purchase

**2 Types: 1 Major Difference**

- The Treatment of Cash from Operations
  - Direct
    - Starts with cash receipts
    - Subtracts cash paid for major items
    - To get net cash from operations
  - Indirect
    - Starts with net accrual income
    - Adds sources and subtracts uses from operations
    - To get net cash from operations

**Indirect SoCF**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Net accrual income</td>
<td>$20,000</td>
</tr>
<tr>
<td>Change in:</td>
<td></td>
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<tr>
<td>Accounts Receivable</td>
<td>($8,000)</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>$10,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$5,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$1,000</td>
</tr>
<tr>
<td>Cash from operating activities</td>
<td>($32,000)</td>
</tr>
<tr>
<td>Investing Activities</td>
<td></td>
</tr>
<tr>
<td>Purchase of Equipment</td>
<td>($20,000)</td>
</tr>
<tr>
<td>Cash from investing activities</td>
<td>($18,000)</td>
</tr>
<tr>
<td>Financing Activities</td>
<td></td>
</tr>
<tr>
<td>Money Borrowed</td>
<td>$15,000</td>
</tr>
<tr>
<td>Money Repaid</td>
<td>($2,000)</td>
</tr>
<tr>
<td>Member Contributions</td>
<td>$60,000</td>
</tr>
<tr>
<td>Member Draw</td>
<td>(1,000)</td>
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<tr>
<td>Cash from financing activities</td>
<td>$41,084</td>
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<tr>
<td>Ending Cash</td>
<td>$10,000</td>
</tr>
</tbody>
</table>
Direct SoCF

Cash flows from operating activities
- Cash receipts from customers: $966,000
- Cash paid to suppliers: ($678,000)
- Cash paid to employees: ($242,000)
- Interest paid: ($12,000)
- Income taxes paid: ($2,000)

Net cash from Operating Activities: ($32,000)

Investing Activities
- Purchase of Equipment: ($20,000)

Net cash used in Investing Activities: ($20,000)

Financing Activities
- Money Borrowed: $15,000
- Money Repaid: ($2,000)
- Member Contributions: $30,000
- Member Draws: ($1,000)

Net cash used in Financing Activities: $42,000

Ending Cash: $10,000

Business Work
- Print out your SOCF for 2016
- Is it direct or indirect?
- What was the biggest driver of difference between the beginning balance and ending balance in your checkbook?
  - Operations?
  - Financing?
  - Investing?

Questions and Answers

Eric Fina
Farm Credit East
eric.fina@farmcrediteast.com

Gary Metzger
Farm Credit East
gary.metzger@farmcrediteast.com

Will Gray
Winrock International
will.gray@winrock.org
### Financials for Food Hubs
All Sessions Start at Noon ET

<table>
<thead>
<tr>
<th>Date</th>
<th>Session Content</th>
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</thead>
<tbody>
<tr>
<td>Tue 2/21</td>
<td>Introduction and the Common Chart of Accounts</td>
</tr>
<tr>
<td>Tue 2/28</td>
<td>The Balance Sheet – How and Why</td>
</tr>
<tr>
<td>Thu 3/2</td>
<td>Office Hours: Balance Sheet</td>
</tr>
<tr>
<td>Tue 3/7</td>
<td>The Profit and Loss Statement – How and Why</td>
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<tr>
<td>Thu 3/9</td>
<td>Office Hours: Profit and Loss Statement</td>
</tr>
<tr>
<td>Tue 3/14</td>
<td>The Cash Flow Statement – How and Why</td>
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<tr>
<td>Thu 3/16</td>
<td>Office Hours: Cash Flow</td>
</tr>
<tr>
<td>Tue 3/21</td>
<td>Putting it all together – Managing Your Business Using Finances</td>
</tr>
<tr>
<td>Wed 3/22</td>
<td>Office Hours: Putting it all together</td>
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</tbody>
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http://ngfn.org/hubfinances

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  - National Good Food Network Database
  - [Contact ngfn.org](http://ngfn.org)
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