FINANCIAL FUNDAMENTALS FOR FOOD HUBS, PART I:
COMMON CHART OF ACCOUNTS

February 21, 2017
Presentation Outline

- **Welcome**
  *Wallace Center at Winrock International*

- Common Chart of Accounts
- Questions and Answers
- Upcoming Sessions
http://ngfn.org/hubfinances

contact@ngfn.org
Presentation Outline

- Welcome
- Common Chart of Accounts
  - Gary Matteson, Farm Credit Council
  - Erin Pirro, Farm Credit East
- Questions and Answers
- Upcoming Sessions
The Common Chart of Accounts

presented by

FARM CREDIT

Erin Pirro
Farm Business Consultant

Gary Matteson
VP/YBS Farmer Programs and Outreach

WALLACE CENTER
WINEOCE INTERNATIONAL

THE FARM CREDIT COUNCIL
What is a common chart of accounts?

• Three major accounting reports
  – Balance Sheet
  – Income Statement (aka Profit and Loss)
  – Statement of Cash Flows

• Standard categories for each
  – For example:
    • Labor
    • Utilities
    • Supplies
Why use this common chart?

• Designed for **management**
• **Framework** and **flexibility**
• Participate in/benefit from the **benchmark**
• Beneficial for **forecasting with MARGIN**
• Know the **true cost of labor**
• Make decisions **strategically**
• Consider the **best results** for your business
• **Earn PROFIT** to support your mission!
The Hardest Part

MINDSET

- Management vs. compliance

- Using the right tool for the job
Your Balance Sheet

ASSETS
(everything you own)

LIABILITIES
(everything you owe)

Net Worth
a/k/a Equity

Net Worth
a/k/a Equity
Typical Income Statement

Sales
- Expenses
= Profit

Sales
- Cost of Goods Sold
= Gross Margin
- Overhead Expenses
= Profit
Income

• Sales (by department)
• Processing Income
• Misc. income
  – Delivery/Trucking
  – Brokering
  – Membership Fees

• Less discounts, returns
COGS/COP/Selling

- Cost by department (if you grow it or buy it)
  - match these to sales categories
- Labor
- Packaging
- Merchant fees

- Delivery costs:
  - Delivery labor
  - gas/fuel
  - Parking/tolls
Overhead costs

- The DIRTI 5
- Administrative Labor
- Marketing
- Professional fees
- Rent
- Utilities
- Misc Expenses
  - permits, bank charges, dues, etc.
Other Income/Other Expenses

- Grants
- Contributions
- Other Enterprises

- Program Support Expense
- Business Income Taxes
- Other Enterprise Expenses
The Bottom Line

Net Operating Margin
• Calculated from Business Income and Expenses (including COGS/COP/Overhead)

Net Margin
• Calculated from Net Operating Margin AND Other Income/Other Expenses
Statement of Cash Flows

Shows the trail of money: IN and OUT

• Operations
  – Sources and uses of cash in operations

• Investing
  – Capital purchases and sales

• Financing
  – Borrowing and repayment
A Sneak Peak

Tuesday Webinars

• Feb 21
  The Common Chart of Accounts
• Feb 28
  The Balance Sheet
• March 7
  The Income Statement
• March 14
  The Statement of Cash Flows
• March 21
  Getting the Most from the Common Chart of Accounts

OFFICE HOURS

• Thursday 3/2
• Thursday 3/9
• Thursday 3/16
• Wednesday 3/22

All programs begin at Noon EST
Questions and Answers

Erin Pirro
Farm Credit East
erin.pirro@farmcrediteast.com

Gary Matteson
Farm Credit Council
matteson@fccouncil.com

Will Gray
Wallace Center at Winrock International
contact@ngfn.org
Financials for Food Hubs
All Sessions Start at Noon ET

Tue 2/21 – Introduction and the Common Chart of Accounts

Tue 2/28 – The Balance Sheet – How and Why
Thu 3/2 – Office Hours: Balance Sheet

Tue 3/7 – The Profit and Loss Statement – How and Why
Thu 3/9 – Office Hours: Profit and Loss Statement

Thu 3/16 – Office Hours: Cash Flow

Tue 3/21 – Putting it all together – Managing Your Business Using Finances
Wed 3/22 – Office Hours: Putting it all together

http://ngfn.org/hubfinances
Get Connected, Stay Connected

http://ngfn.org/database

Search for: Wallace Center

contact@ngfn.org

@ngfn