Where’s My Cash?!?! 
Cash Management & Your Balance Sheet

Presented by: 
Ted LeBow & Rebecca Frimmer
WHO WE ARE

Our goal is simple – to help passionate farmers and food artisans build lasting, profitable, locally-focused businesses.

OUR FOUR TENETS

1. WE'VE WALKED A MILE IN YOUR SHOES.
2. THERE'S NO BS.
3. WE ROLL UP OUR SLEEVES, RIGHT ALONGSIDE YOU.
4. WE ARE PREPARED TO WIN WITH THE BUSINESS AND LOSE WITH THE BUSINESS.
WHAT WE DO

- Advising & Coaching
- Small Business Bookkeeping
- Makers & Farmers Roundtable
- Hands on Help & Project Management
- Interim/Virtual Management Team
- Community of Business
Let’s Get Going!

Balance Sheet & Finding Your Cash

This is not about THEORY, it’s about REALITY.

There will be a few multiple choice games- please participate, there are no wrong answers.

Ask questions as we go! Please interrupt us!
Don’t get stuck in the word jumble!
Please ask, there are no bad questions.
Lots of financial concepts have multiple ways of labeling.
How many of you have a Balance Sheet?
You Need to Know…#1

Flashcards: A Balance Sheet is…?

A) something my accountant generates for me.
B) like a Tax Return.
C) I have no idea.
D) a financial statement that summarizes a company’s assets, liabilities and equity.
You Need to Know…#1

- So What?
  - Assets = Liabilities + Equity.
  - So what?
  - The equation has to balance.

- What is Equity, Really?
  - Money invested
  - Money Retained…. (Retained Earnings)
Balance sheets aren’t just for your accountant or banker...
A balance sheet tells YOU about the health of your company, as a snapshot in time.
You Need to Know…#2

- **Assets:** Cash, Inventory, Accounts Receivable, Loans Made to other parties, Equipment, Land, Livestock.
  
  =

- **Liabilities:** Accounts Payable, Loans, Customer Deposits.

  +

- **Equity:** How much money you’ve “left” in the business.
Depreciation is...?

- Applying the cost of an asset over its usable lifetime.
- Tax accounting vs. Business accounting
How many of you review your Balance Sheet more than 1x per year?
### Flashcards: Is this…? Good or Bad

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$15,000.00</td>
<td>$15,000.00</td>
</tr>
<tr>
<td>Inventory</td>
<td>$25,000.00</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$5,000.00</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Equipment</td>
<td>$100,000.00</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>Land</td>
<td>$250,000.00</td>
<td>$250,000.00</td>
</tr>
<tr>
<td>Livestock</td>
<td>$83,000.00</td>
<td>$83,000.00</td>
</tr>
<tr>
<td>less accumulated depreciation...</td>
<td>$(75,000.00)</td>
<td>$(75,000.00)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$403,000.00</td>
<td>$403,000.00</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$15,000.00</td>
<td>$45,000.00</td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>$6,000.00</td>
<td>$6,000.00</td>
</tr>
<tr>
<td>Line of Credit</td>
<td>$45,000.00</td>
<td>$115,000.00</td>
</tr>
<tr>
<td>Long Term Loans (Debt)</td>
<td>$210,000.00</td>
<td>$210,000.00</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$276,000.00</td>
<td>$376,000.00</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>$127,000.00</td>
<td>$27,000.00</td>
</tr>
<tr>
<td><strong>Liabilities + Equity</strong></td>
<td>$403,000.00</td>
<td>$403,000.00</td>
</tr>
</tbody>
</table>
Always use comparisons before drawing conclusions.
So, how do I use my balance sheet?
Review these statements EVERY month, just like your income statement…

Why?

- So you know where your cash is.
- So you know if someone isn’t paying you.
- So you know if you’re getting better or worse—how do you eat an elephant?
  - One bite at a time.
Let’s play...

“Where’s My Cash?!?!?”
Round 1
Inventory:

- In January of 2012 we had inventory level of $90,000.
- In January of 2012 our COGS was $10,000.

**Flashcards:** This means we had how many months supply on hand?

A) 3 months.
B) 6 months.
C) I have no idea.
D) 9 months.

Round 1: Where’s My Cash?
Inventory:

- Nine (9) month supply of inventory.
- Where is your cash?
- How do you get your cash back…?

- What if we lowered inventory by just 2 months supply…?
Round 1: Where’s My Cash?

Inventory to Cash…

$20,000!
Round 2: Where’s My Cash?

Receivables

- A/R on June 30, 2014 is $50,000.
- Your standard terms are 30 days.
- In June you had $25,000 in sales.
Round 2: Where’s My Cash?

Receivables
- A/R on June 30, 2014 is $50,000.
- Your standard terms are 30 days.
- In June you had $25,000 in sales.

- How many days of receivables do you have?
  - $50,000/$25,000 = 2 (MONTHS) × 30 days per month = 60 Days.

- Manage Receivables—simple process
  - A grain of sand in your shoe
  - The squeaky wheel gets the grease.

If you lower to 30 days…how much cash is in your bank account?
- A: $50K  B: $25K  C: Don’t know
Round 2: Where’s My Cash?

Receivables to Cash…

$25,000!
Round 3
Capital Expenditures
(or Capitalizing Expenses)

What level do you “capitalize” your purchases at?

True Story:
- $500 level.
- $400,000 of Capitalized Expenses during 2012.
- Company was “profitable”.
- No cash in the business (ouch).
- No additional “obvious” debt…
- How did they keep their business going with no cash?
Capital Expenditures (or Capitalizing Expenses)

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On the backs of the Vendors…

- 12 months ago A/P $25,000
- Now A/P $400,000 (plus)
- OOPS!

Banks, Vendors, Business have issues.
Round 4
Payables (Management)

- Let’s say you have lots of cash right now…

**Flashcards:** What are your options?

A) Pay all my bills right now.
B) Ask for an early pay discount.
C) Create a consistent process that reviews and pays bills every 2 weeks, period.
D) Don’t worry be happy.
Round 4b: Where’s My Cash?

Payables (Management)
- Let’s say you DON’T have lot’s of cash right now…
- What are your options?
  A) Pay all my bills right now.
  B) Stick to your consistent process that reviews bills every 2 weeks, period.
  C) Talk to vendors, pay regularly, but manage my cash.
  D) Ask the Bank for a loan.
  E) Pull the covers over your head and go back to sleep.
Payables (Management)

- Don’t be Mean or Completely self-serving, but..
- Would you rather your cash in your pocket or someone else’s?
- If you MANAGE your cash you’re more likely to survive…
  - Discounts
  - Finance Fees
  - Payment Terms
- It’s just smart business.
“Banks are there when you don’t need them and are not when you do....”

Bill Clayton, XL Ranch, Nampa, Idaho. Circa 1985
How can I take control of my cash?
Rolling Cash Flow Projections
Rolling Cash Flow Projection

• Step back and consider your cash needs
  – How much cash do I have today?
  – What are all of my expenses?
  – What are all of my cash income sources?

• List cash coming and going out by week for the next 13 weeks (season), then monthly

• Let Excel do the heavy lifting
Jenny and Dave have a 65 member CSA. They have a big loan due in March, $10K. They owe another 10K on credit cards, and would like to pay off $2000/month.

Jenny **needs** to *pay herself* $2000/month salary from the farm for her family to be comfortable; plus make payroll for 2 part time farmhands, and cover all farm expenses. Dave works off the farm for family income.
Make sure you budget to pay yourself.
Let’s look at what happens when we program our rolling cash flow document.

Email us for a copy!
What did we learn?

- We can make controlled choices about where to spend our cash.
- Sometimes we can’t meet our early debt payoff goals, but at least we held our cash for when we needed it.
- We can plan for emergencies / repairs / personal salary if we budget it.
- We know when we need our next round of income to start coming in.
Knowing your projected cash needs puts you in a position of power.
So, where is my cash, exactly?
Sources for Cash

Funding Sources in Your Balance Sheet.

- The Obvious ones:
  - Debt
  - Equity

- The not so Obvious ones:
  - Vendors (good or bad)
  - Getting rid of unused assets (convert to something usable)
  - Inventory levels (management)
  - Customer Pre-Pay (liability….)
  - A/P and A/R (management)
Wrapping Up

  - Look for Trends
- Move your cash into YOUR Account.
  - If its cash you can use it.
- Make sure you can tell your story or someone else will.
  - If you don’t have a “reason” why it’s this way, then it must be an “excuse”.

KTC
KITCHEN TABLE CONSULTANTS
REAL COMMUNITIES
EST. 2009
Great! But are you actually *using* it?

I will bet you are not.

Multiple REAL Examples…

- A/R
- A/P
- Inventory

Build simple systems to monitor your monthly progress.
Questions?
CONTACT US!

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