FUNDAMENTALS OF FINANCIAL ANALYSIS

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Your Role

You sit between:

Farmers

Financial Systems

Institutions

The Risk

Oversimplify

Overcomplicate

Misinterpret

Framework + Why We're Here

Position

Performance

Timing

Meet the Lamberts

200-acre farm in North Carolina

$1.2M assets

$547K debt

Human Context

Keep land + home

Financial stress

Different priorities

Finances Meet Theater

Debbie Lambert Calls the Creditor for Help

A BALANCE SHEET IS A SNAPSHOT - NOT A LIST, BUT A STRUCTURE

- What is owned
- What is owed
- What's left (equity)

THE BALANCE SHEET EQUATION

Assets – Liabilities = Equity

Assets: resources & tools

Liabilities: obligations & risk

Equity: ownership & strength

WHAT DO YOU SEE

Line Item/Category	Beginning of Year	End of Year (Actual)	End of Year (Scenario)	Change (Actual)
Current Assets				
Cash	$25,000	$53,000	$68,000	$28,000
Accounts Receivable	$10,000	-	-	($10,000)
Inventory	$25,000	$20,000	$20,000	($5,000)
Prepaids	$5,000	$5,000	$5,000	-
Total Current Assets	**$65,000**	**$78,000**	**$93,000**	**$13,000**
Non-Current Assets				
Land	$800,000	$800,000	$800,000	-
Home	$200,000	$200,000	$200,000	-
Buildings	-	-	-	-
Equipment, gross	$230,000	$230,000	$230,000	-
Less: Accumulated Depreciation	($100,000)	($128,000)	($128,000)	($28,000)
Total Non-Current Assets	**$1,130,000**	**$1,102,000**	**$1,102,000**	**($28,000)**
Total Assets	**$1,195,000**	**$1,180,000**	**$1,195,000**	**($15,000)**

Line Item/Category	Beginning of Year	End of Year (Actual)	End of Year (Scenario)	Change (Actual)
Current Liabilities				
Operating Loan	$320,000	$367,000	$267,000	$47,000
Accounts Payable	-	-	-	-
Current Portion of Term Debt	-	-	-	-
Total Current Liabilities	**$320,000**	**$367,000**	**$267,000**	**$47,000**
Long-Term Liabilities				
Restructured Hemp Loan	$190,000	$180,000	$180,000	($10,000)
Other Long-Term Debt	-	-	$100,000	-
Total Long-Term Liabilities	**$190,000**	**$180,000**	**$280,000**	**($10,000)**
Total Liabilities	**$510,000**	**$547,000**	**$547,000**	**$37,000**
Beginning Retained Earnings	$150,000	$150,000	$150,000	-
Ending Retained Earnings	$150,000	$118,000	$118,000	($32,000)
Owner Draw / Distributions	-	($20,000)	($20,000)	($20,000)
Implied Equity (Model Plug)	$535,000	$535,000	$550,000	-
Total Equity	**$685,000**	**$633,000**	**$648,000**	**($52,000)**
Total Liabilities + Equity	**$1,195,000**	**$1,180,000**	**$1,195,000**	**($15,000)**

LET'S WORK TOGETHER

Here's a Google workbook with several tabs. Download, make a copy that's your own, and let's review and modify this together.

KEY QUESTIONS

Can they absorb a shock?

Is debt structured well?

Do assets = safety?

What concerns you?

POSITION ≠ PERFORMANCE

We look to the Profit & Loss Statement for Operational Performance

Next session we'll analyze a high level P&L for the Lamberts.

PROFIT & LOSS ILLUSTRATES OPERATIONAL EFFICIENCY: MARGINS AND RATIOS TELL THE STORY

WHAT DO YOU SEE

Line Item/Category	2025 Actual	Expense Behavior	Ratio to Sales
Revenue			
Soy	$120,000		*45%*
Sweet Potatoes	$55,000		*21%*
Tobacco	$90,000		*34%*
Other Revenue	-		*0%*
Total Revenue	**$265,000**		*100%*
Cost of Goods Sold			
Crop Inputs	$85,000	Variable	*32%*
Packing / Handling	$12,000	Variable	*5%*
Other COGS	-	Variable	*0%*
Total COGS	**$97,000**		*37%*
Gross Profit	**$168,000**		*63%*
Gross Margin	***63%***		

Line Item/Category	2025 Actual	Expense Behavior	Ratio to Sales
Operating Expenses			
Paid Labor	$30,000	Semi-variable	*11%*
Owner Labor / Wages	$50,000	Semi-variable	*19%*
Fuel	$19,000	Variable	*19%*
Repairs & Maintenance	$12,000	Variable	*7%*
Small Tools & Supplies	$6,000	Variable	*5%*
Marketing	-	Flexible	*2%*
Insurance	$8,000	Fixed	*0%*
Rent	-	Fixed	*3%*
Utilities	$7,000	Semi-fixed	*0%*
Admin / Office	$5,000	Fixed	*3%*
Storage / Quality Losses	$30,000	Semi-variable	*2%*
Total Operating Expenses	**$167,000**		***63%***
EBITDA	**$1,000**		***0%***
Depreciation	$28,000	Non-cash	*11%*
Interest	$5,000	Financing	*2%*
Net Income	**($32,000)**		***-12%***

REVENUE ≠ HEALTH

MARGINS BY ENTERPRISE

PROFIT VS MARGIN

LET'S WORK TOGETHER

Join me in the Google workbook on the P+L tab. Download, make a copy that's your own, and let's review and modify this together.

INSIGHT:

PROFIT ≠ CASH

Profit is a PATTERN that leads to healthy cash flow

THE UNION OF THE BALANCE SHEET AND P&L ALLOWS BOTH CASH AND ACCRUAL ANALYSES

POSITION

+ PERFORMANCE

TIMING

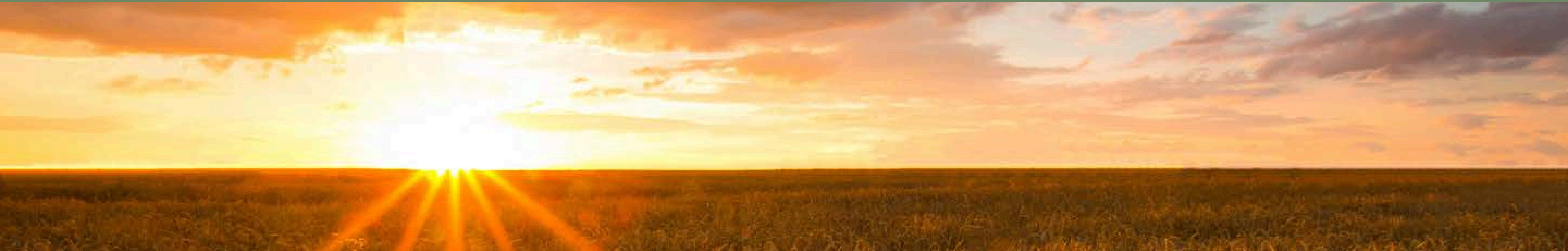
When the Math is Mathing

Next session we'll sew together the Balance Sheet and P+L to predict Cash Flow.

CASH FLOW IS TIMING :

A BUSINESS CAN BE PROFITABLE AND STILL RUN OUT OF CASH

CASE: LOAN IS DUE AND WE HAVE REDUCED INCOME… AND WE DON'T KNOW HOW MUCH IS OWED



LET'S WORK TOGETHER

Join me in the Google workbook to review the cash flow situation and the amortization template.

What a Lender Looks At

01 Financial position *today*

02 Ability to absorb risk

03 Whether growth is supported or strained

What do you think makes lenders nervous?

What's Wrong

Income shock
Tight margins
Cash pressure

Not Wrong

Strong asset base
Lender still engaged
Options still exist

Last session: we troubleshoot and make sure our farmers know how to talk with creditors.

HOW DO WE FIND CASH?

CASH IS

CREATED

OR

FREED

INCREASE CASH SALES

LOWER COGS

LOWER AR

LOWER INVENTORY

INCREASE AP

INCREASE DEBT

SELL ASSETS

NEW PARTNER OR EQUITY

LET'S LOOK AT CREDITOR RATIOS

Join me in the Google workbook to review the dashboard for the case study and discuss how we would advise.

Get in touch

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