

Technical Aspects of Budgeting for Farmers Markets

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Introduction

- Jocelyn & Alchemilla Services
- Covering the core basics – plus insights
- Accounting has its own vocabulary – learning a new language
- Resources, links and questions





Topics

- WHY Budget
- Intro to Financial Reports
 - Profit & Loss
 - Balance Sheet
 - Important for Non-profits
- Helpers / Workers of All Kinds
- Overview of Taxes
- Bookkeeping Software



WHY Budget

Stewardship

Grants, donors, funding

Audits

Protection

Cash planning

Intro to Financial Reports

- Profit & Loss
(Statement of Financial Activity)
- Balance Sheet
(Statement of Financial Position)
- Non-profit Insights

Understanding these lays the foundations for budgeting.



Profit & Loss *or* Income Statement Statement of Activity

Account	Amount
Sponsors	\$1,000.00
Booth Fees	\$3,000.00
Gross Revenue	\$4,000.00
Overhead/Office	\$ 700.00
Insurance	\$ 200.00
Supplies	\$ 100.00
Total Expenses	\$1,000.00
Net Revenue	\$3,000.00

Includes

- Income/revenue
- Expense
- Loan or finance interest or fees only (not the full loan payment)

Does **not** include

- Market tokens
- Sales tax
- Entity income tax payments
- Principal portion of loans or mortgage
- Assets that are capitalized

Balance Sheet or Statement of Financial Position

$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

Includes

- Cash balance(s)
- Assets
- Market tokens (liability)
- Loan or mortgage balance
- Retained earnings

Does **not** include

- Gross revenue
- Expenses
- Credit card fees

Account	Amount
Bank account	\$6,000.00
Accounts Receivable	\$4,000.00
Equipment Assets	\$10,000.00
Total Assets	\$20,000.00
Market Tokens	\$12,000.00
Loan	\$5,000.00
Retained Earnings (Equity)	\$3,000.00
Total Liabilities & Equity	\$20,000.00

Retained Earnings (*a type of Equity*) or Fund Balance



	2021	2022	2023
Income	5000	7500	9900
Expense	<u>-4000</u>	<u>-4000</u>	<u>-7500</u>
Net income	1000	3500	2400
Retained earnings	1000	4500	6900

Retained earnings
= *net income over time*

Nonprofit Accounting

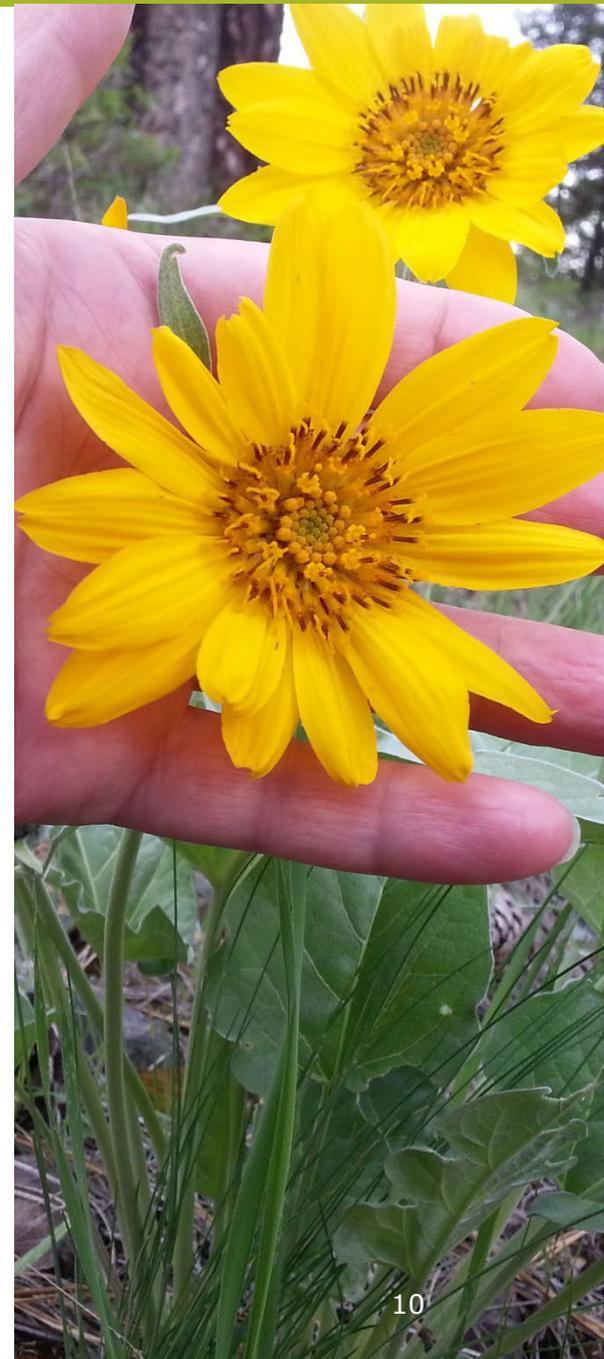
Form 990 Tax Return



CATEGORY	ADMIN	FUNDRAISING	MARKET	HOLIDAY FAIRE	TOTAL
Revenue		5,000.00	7,000.00	500.00	12,500.00
Permits		100.00	250.00	50.00	400.00
Staff	1,000.00	1,000.00	4,000.00	500.00	6,500.00
Supplies		3,000.00	1,000.00	100.00	4,100.00
Insurance	200.00		500.00	45.00	745.00
Total Expense	1,000.00	4,100.00	5,250.00	650.00	11,000.00
Net Revenue	(1,000.00)	900.00	1,750.00	(150.00)	1,500.00
Percent Activity	9.1%	37.3%	47.7%	5.9%	100%

Fund Accounting

- Cumulative fund balance = equity on the balance sheet
- Non-restricted Funds – Retained Earnings
- Restricted Funds – separate from Retained Earnings



Financial Reports Review

- Profit & Loss
- Balance Sheet
- Nonprofit Accounting
(Programs emphasis)
- Fund Accounting



Market Helpers Topics

- Type of Help
- How to Be an Employer
- Payroll Taxes,
Other Recommendations
- How this Informs the Budget



What Type of Help?

➤ *IRS cautions anyone who advises is responsible*

- ❖ Volunteer – must be a non-profit
- ❖ Contractor – sets own schedule, uses own tools, gives an invoice
- ❖ Employee – not a volunteer or contractor
- ❖ Caution re: Interns, Apprentices, (or work trade, WWOOFer, etc.)



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How to Be an Employer

IRS – Internal Revenue Service – federal payroll taxes

- Have an EIN
- File the first payroll tax return

The State of Washington – state payroll taxes

- Update your business license





Payroll Taxes & Other Recommendations

- Federal payroll taxes – Form 941 SS/Med/FWT; Form 940 FUTA
- State payroll taxes: L&I, ESD, PFML, WA Cares
- Review min. wage, sick leave, OT exempt rules
- Use payroll software and direct deposit
- Save PDFs of ALL payroll records
- Keep payroll records at least 7 years

How This Informs the Budget

- \$ 1,000.00 – gross wages
- \$ 130.00 – employer taxes (eff. 13%)
- = \$1,130.00 – total employer cost

Most Payroll Systems:

- Withdraw net pay plus both employee and employer taxes at time of payroll
- Import all of these numbers into your books
- E-Pay and e-file the payroll tax forms



Market Helpers Review

- Types of Helpers
- How to Be an Employer
- Payroll Taxes & Other Recommendations
- How This Informs the Budget



Other Taxes



- B&O/Excise Taxes & Sales Tax
- How to Record Deposits
- Federal Income Tax Returns
- Licenses, Annual Report/Renewal

State Taxes - Sales, Excise / B&O

Excise Tax / B&O (Business & Occupation)

Tax = Expense

- State of WA Dept. of Revenue
- Some cities
- Calculated on GROSS, not Net

Sales Tax = Liability

- Destination based sales tax
- Limited exemptions
- Reseller Permit



WA DOR Nonprofit Industry Guide:

<https://dor.wa.gov/education/industry-guides/nonprofit-organizations>

How to Record Deposits

\$100.00 - revenue
(-\$3.00) - processing fee
=\$97.00 - deposit

\$ 100.00 - revenue
\$ 10.00 - sales tax
(-\$ 3.30) - processing fee
=\$106.70 - deposit



- Important to track and report gross income
- Important to track sales tax liability
- Options:
 - Daily Sales Summary
 - Periodic (Monthly/Quarterly/Annual) Reclass

Federal Tax Returns

- Form 990 Nonprofits
- Form 1120 Corporate tax return
- Form 1065 Partnership tax return
- Individuals or Sole Member LLCs file 1040 Schedule C





Licenses & Other Requirements

- Business license – state or city
- Permit(s)
- Annual report – WA State Secretary of State



Other Taxes Review

- B&O / Excise and Sales Taxes
- How to Record Deposits
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- Licenses & Other Requirements

To App or Not to App?

- Spreadsheet versus App
- App Options
- Automations & Integrations



Spreadsheet (or paper) vs. an App

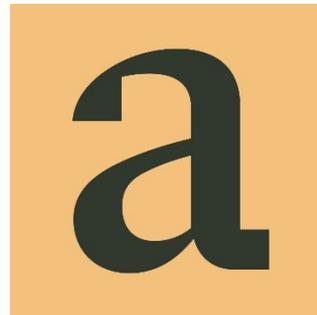
Software recommended for these needs:

- Budgeting!
- Tracking who owes you money
- Tracking money you owe to others, scheduling bill payments
- Bank or app syncing or other automation tools
- Business reports for yourself, funders, CPA, etc.
- Multiple user access
- Invoices, receipts on the go



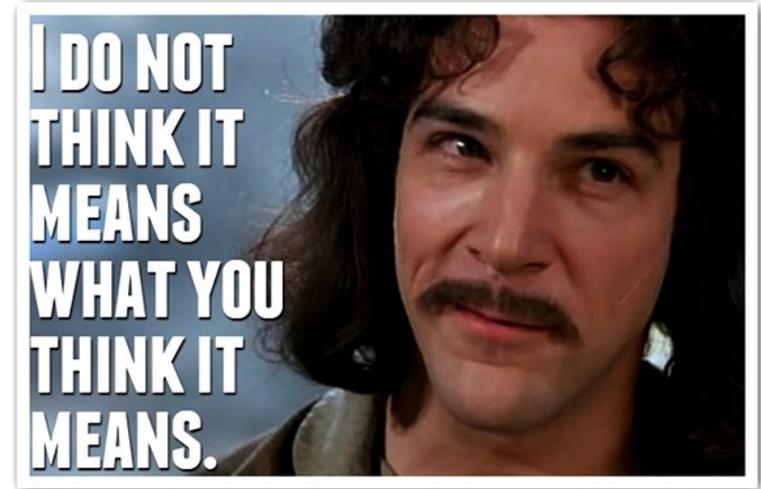
Bookkeeping Options

- Spreadsheet – download from bank in .csv
- Online or banking reporting, Mint.com or other
- Bookkeeping software - QuickBooks, FreshBooks, Wave, Xero, Sage, Zoho Books
- Combo software – Ambrook farm specific combo software/service



Automation Tools

- Bank reconciliations
- Manage rules
- Use bank text / description



- Budget reporting!
- Online bank syncing
- App integration
- Receipts import
- Memorized/recurring transactions
- Online or e-payments and direct deposits
- Copy transactions
- Sales tax changes

Bookkeeping App & Tools Review



- When to App
- Bookkeeping Options
- Automation / AI

More Resources

- <https://wafarmersmarkets.org/wp-content/uploads/2017/02/2017-02-Accounting-for-Farm-Direct-Alternative-Currencies.pdf> (PDF)
- <https://farmcommons.org/>
- Dept. of L & I Help for Small Business: <https://www.lni.wa.gov/agency/small-business/>
- Apply for a (new) business license: <https://dor.wa.gov/open-business/apply-business-license>
- To become employer, log into myDOR to update existing license: <https://secure.dor.wa.gov/home/Login>
- IRS Guide: *Independent Contractor or Employee Publication 1779* (PDF)
- DOLI How to Hire a Minor: <https://lni.wa.gov/workers-rights/youth-employment/how-to-hire-minors>
- Records Retention Recommendations: <https://chapmanea.com/record-retention-guide/>
- Alchemilla Services LLC / Jocelyn and her team are open to 1 or 2 more bookkeeping clients

Thank you!

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WASHINGTON STATE
FARMERS MARKET
ASSOCIATION