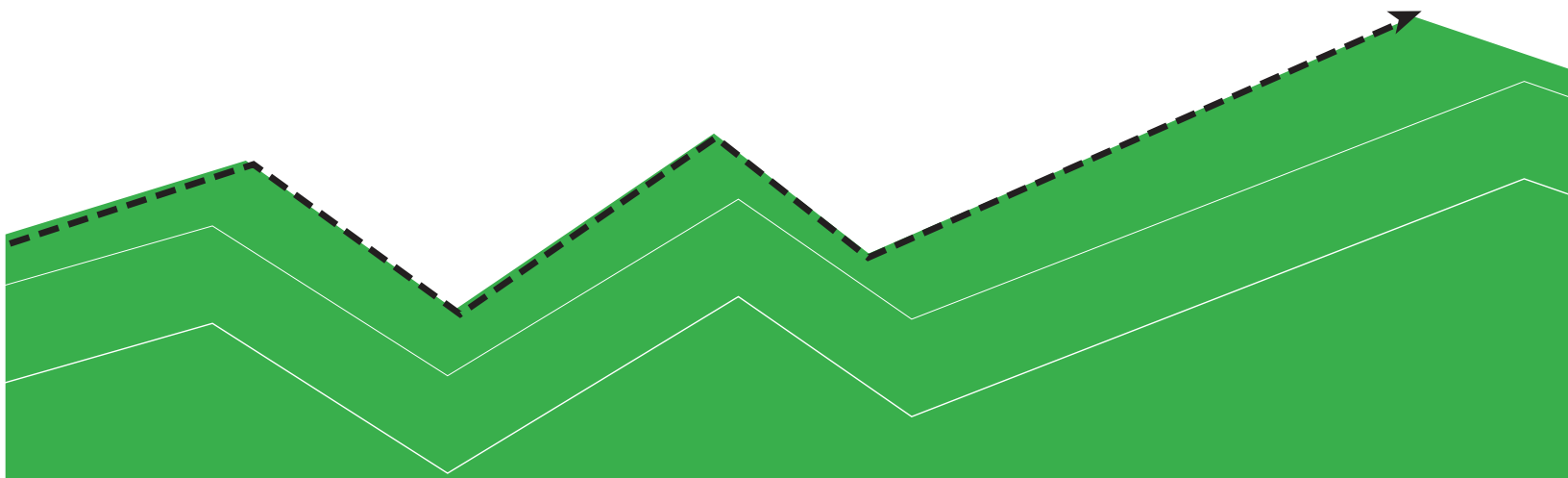


# ***Net Worth Statement***

***Instructions & Forms***





# **NF Net Worth Statement Instructions**

## **The Samuel Roberts Noble Foundation**

### **Introduction:**

Good financial management is very important to being successful in agriculture today, and clear, accurate information is vital to good financial management. One of the best ways to gain clear, accurate information about your farm or ranch is methodically keeping track of your business's net worth. This software should assist you in making a net worth statement.

A net worth statement is a financial statement that shows the condition of a business at a certain point in time. Items such as assets, liabilities, and net worth are used to dissect the different parts of the business. You can then find out what is owned and what is owed in your business. This particular net worth statement was specifically made for those involved in agriculture.

### **Directions:**

The NF Net Worth Statement can be used on a computer or by hand. To use by hand, print a blank copy of the statement and fill it in with a pencil. If completed by hand, you must do all the calculations by hand. If you use the computer this Excel template already has many of the calculations done for you, so there is less risk of calculation errors. Please use the schedules provided as much as possible. The totals from the schedules are automatically forwarded to page 1. By using the schedules, there should be more room for description of the items and there should be less calculation errors. Some items do not have schedules and must be entered on page 1.

There are many important elements in the NF Net Worth Statement. Because net worth statements are measured at a certain point in time, please be sure to accurately date the information on the statement. Ideally, financial records should be developed at the same time each year. Asset valuation is another important part of the NF Net Worth Statement. Be sure to indicate whether you used the market approach or the cost approach. The market approach estimates the market value less selling costs of your assets and liabilities. The market approach works well for evaluating financial positions for credit analysis and estimating owner's equity. When using the market approach, remember to account for the contingent tax liability that arises when some assets appreciate in value. The cost approach to value can also be used on the NF Net Worth Statement. This approach is most often used when measuring the financial progress of a business from year to year. Many times, a combination of approaches may be used. Some items such as other investments, and grain and livestock inventories will almost always be measured using the market approach and accounts receivable, notes receivable, and cash investment in growing crops will almost always be measured using the cost approach. Remember to use the same methods from year to year so that you can compare the different years and find trends in your business's finances.



## **Current Assets:**

Current assets are all those assets that will be converted to cash within the next year. The current asset category is comprised of: (1) Cash and Checking, (2) Savings and Time Certificates, (3) Accounts Receivable, (4) Other Investments, (5) Raised Non-Breeding Livestock, (6) Purchased Non-Breeding Livestock, (7) Farm Products, Grain & Feed on Hand, (8) Cash Investment Growing Crops, (9) Prepaid Expenses, and (10) Other Current Assets.

### **Cash and Checking:**

Cash and Checking should include the sum of all checking accounts in all banks. It should also include the sum of all cash on hand.

### **Savings and Time Certificates:**

Savings and Time Certificates is the total of all savings accounts and certificates of deposit that mature in 12 months or less. Interest earned on these investments should also be included.

### **Accounts Receivable:**

This category is made up of the value for goods and services that have been provided but payment has not been received. Include only those receipts that are current. Also, do not include payments that are unlikely to be received. An example of a receivable is when someone owes you for hay that you sold. They already have the hay, but you have not been paid yet.

### **Other Investments (Sch. 1):**

Other investments are all marketable securities such as stocks and bonds. These investments usually have a high level of liquidity or the ability to be converted into cash.

### **Raised Non-Breeding Livestock (Sch. 2):**

Raised non-breeding livestock is the total value of all livestock that will not be used for reproduction. This category would include steers and feeder heifers that were raised on the farm.

### **Purchased Non-Breeding Livestock (Sch. 3):**

This category includes all livestock that has been purchased and will not be used for reproduction. The only difference between this category and the one above is the way that the livestock were acquired. Livestock in this category were bought and those in Schedule 2 were raised.

### **Farm Products, Grain and Feed on Hand (Sch. 4):**

Farm products (grain and feed on hand) is much like an inventory of supplies. Include the total values for all the grain, feed, and supplies that are in inventory on the date of the net worth statement.

### **Cash Investment Growing Crops (Sch. 5):**

Cash investment growing crops is the total of all crops that have been planted, but have not been harvested yet. Do not include crops that will not be harvested.



**Prepaid Expenses (Sch. 6):**

This category includes all expenditures for goods or services, which have not been received but should be received within one year. An example of a prepaid expense is paying rent for several months in advance.

**Other Current Assets:**

This category is similar to a miscellaneous category. Any current assets that do not fit the above categories should be itemized in this section on page 1.

**Non-Current Assets:**

Non-current assets are all those assets that will be converted into cash after one year. These items are considered non-current assets: (1) Notes Receivable, (2) Raised Breeding Livestock, (3) Purchased Breeding Livestock, (4) Vehicles, (5) Cash Value of Life Insurance, (6) Machinery & Equipment, (7) Buildings & Improvements, (8) Crop-land, (9) Pasture, (10) Real Estate, (11) Retirement Accounts, (12) Securities Not Readily Marketable, and (13) Other Non-Current Assets.

**Notes Receivable (Sch. 7):**

Notes receivable includes all contracts and agreements of others to pay the owner for goods and services that the buyer already has. An example of this would be if you sold a tractor to someone and financed it yourself. Doubtful collections should not be added to this total.

**Raised Breeding Livestock (Sch. 8):**

This category includes all livestock that were raised and are used for reproduction. An example of this would be commercial cows and bulls that were home-raised.

**Vehicles (Sch. 10):**

Vehicles are all those vehicles that are not grouped under machinery and equipment. An example of this would be a farm pickup truck.

**Cash Value of Life Insurance (Sch. 13):**

Cash value of life insurance is the value of all the life insurance as of the time of the net worth statement. Although this is a highly liquid asset, the purpose of life insurance is not short-term so this category is considered a non-current asset.

**Machinery and Equipment (Sch. 14):**

Machinery and equipment is fairly self-explanatory. Tractors, implements, and large machinery are some examples of machinery and equipment. Almost all items in this category will be depreciable assets.

**Buildings & Improvements (Sch. 11):**

Items in this category are real property, but not land. Buildings and improvements are usually depreciable assets. Some examples of buildings and improvements would be barns and irrigation systems.

**Cropland (Sch. 12):**

Cropland is the total value of all the land used for growing and harvesting crops. Land used to grow alfalfa would probably be an example of cropland.

**Pasture (Sch. 15):**

Pasture is very similar to cropland, but it is the total value of all land not growing crops. Native pasture or bermudagrass pasture would be considered pasture.

**Real Estate (Sch. 16):**

Real estate is any land that does not fit into any of the prior land categories. An example of real estate may be a piece of commercial or residential property.

**Retirement Accounts:**

Retirement accounts are all long-term investments that used for retirement. This would include IRAs, company thrift plans, and 401Ks.

**Securities Not Readily Marketable:**

Securities not readily marketable consists of those investments that can be converted into cash in 2-7 years. There is not a schedule for this category so please add up the total and fill in the cell on page 1.

**Other Non-Current Assets:**

Non-current assets that do not fit in any of the above categories should be itemized in this section on page 1.

**Current Liabilities:**

Liabilities are claims by others against your assets or your debt. Current liabilities are those that will become due in cash within one year. Current liabilities include: (1) Accounts Payable, (2) Unsecured Notes Payable to Lenders, (3) Interest Due, (4) Taxes Due, (5) Contingent Tax Liability, (6) Principle Due in the next 12 months, (7) Non-Farm Liabilities, and (8) Other Current Liabilities.

**Accounts Payable (Sch. 17):**

Items in this category occur when goods and services are bought on credit. An example of this would be credit card debt.

**Unsecured Notes Payable to Lenders (Sch. 18):**

Unsecured notes payable to lenders is the total of all operating loans and lines of credit. A short-term cattle loan would be a good example of items like these. The loan is usually paid back within a few months, after you sell your cattle.

**Interest Due (Sch. 17-18, 19, 20):**

This category is divided into Current and Non-Current interest due. This is the interest that is due in the next 12 months on all the loans.

**Taxes Due (Real Estate and Personal Property):**

This category is similar to Ad Valorem taxes. These taxes are based on the value of assets. Property tax is probably the best example of this type of tax. Items in this category are accrued to the date of the net worth statement. There is no schedule for this category so please add up the total and fill in this section on page 1.

**Taxes Due (Employee Payroll Withholding):**

Employee payroll withholding is total accrued withholding that you owe to the government as of the date of the net worth statement. Once again, there is no schedule for this category so add up the total and fill in this section on page 1.

**Taxes Due (Personal and Self- Employment):**

Personal and self-employment taxes include items such as income tax. This liability increases as taxable income increases. The total personal tax liability should be filled in on page 1.

**Contingent Tax Liability:**

Contingent tax liability or deferred taxes occur when the market approach to value is used. Assets that appreciate in value because of the market price incur income taxes if sold. This is the tax on selling assets valued with the market approach to value. Contingent tax liability is usually not used when using the cost approach to value.

**Principle Due:**

Principle due is the total principle due within one year on all non-current loans. The rest of the principle is listed as non-current liabilities.

**Non-Farm Liabilities:**

All current, non-farm liabilities that do not fit into any of the above categories should be described here on page 1. An example of this would be a loan on a personal item due with the next 12 months.

**Other Current Liabilities:**

This category includes all those current liabilities that do not fit any of the above groups. Please describe these items on page 1 since there is not a schedule for this group.

**Non-Current Liabilities:**

Non-current liabilities are those liabilities that will come due after 1 year. This category is generally made up of loans on assets like vehicles, machinery, and real estate. In this net worth statement, non-current liabilities are divided into (1) Notes Payable, (2) Real Estate Debt, (3) Non- Farm Notes, (4) Other Non-Current Liabilities.



### **Notes Payable (Sch. 19):**

Most non-current liabilities are considered notes payable. Notes payable is the total sum of all the long-term loans except for real estate loans. A good example of a note payable is a five-year car loan.

### **Real Estate Debt (Sch. 20):**

This category is made up of loans on land. This may be cropland, pasture, or other commercial property.

### **Non-Farm Notes:**

Non-Farm notes includes all long-term notes on personal or non-farm items. A good example of this would be a home loan. Your home is a personal asset and not a farm asset. Please total all the non-farm notes on page 1 since there is not a schedule for this section.

### **Other Non-Current Liabilities:**

All non-current liabilities that are not considered notes payable, real estate debt, or non-farm notes should be itemized in this section on page 1.

## **Financial Ratios:**

Ratios can also be used to compare different businesses and their finances. These ratios include the current ratio, working capital, debt/asset ratio, equity/asset ratio, and debt/equity ratio. Debt is the same as total liabilities and equity is the same as total net worth. The current ratio and working capital measure the liquidity of the business or the ability of the business to pay expenses. Higher current ratios are desired because they indicate higher levels of liquidity. Current ratios under 1.0 indicate poor liquidity. Working capital should be a positive number. Negative numbers show low liquidity. The debt/asset and equity/asset ratios measure the solvency of the business or how financially sound the business is. The debt/asset ratio should have a value of less than 1.0 and smaller values are preferred. A business with a debt/asset ratio over .40 is considered under stress and a value greater than .70 is under high stress. Values close to 1.0 should be desired in the equity/asset ratio. The debt/equity ratio measures the amount of leverage that the business has. A value of 1.0 shows that lenders and the owner own the same amount of assets. Smaller values are preferred because they indicate that there is less debt and more equity. Here are the formulas for calculating the ratios described above.

**Current Ratio** = Total Current Assets / Total Current Liabilities

**Working Capital** = Total Current Assets – Total Current Liabilities

**Debt / Asset Ratio** = Total Liabilities / Total Assets

**Equity / Asset Ratio** = Total Equity / Total Assets

**Debt / Equity Ratio** = Total Liabilities / Total Equity





## **Supplemental Information:**

The supplemental information section of the NF Net Worth Statement was made so that you can describe and accurately record land that is leased. This record can then be used to assess the costs and benefits of leased land.

## **Net Worth:**

Net worth or owner's equity is what is left over after all the liabilities have been paid. It is comprised of contributed capital, retained earnings, and total valuation equity. Contributed capital is the total investment into the business. Retained earnings are the accumulation of earnings that have not been withdrawn from the business. Retained earnings measure whether there is a positive return to investment. Total valuation equity is the change in equity due to the appreciation of capital assets. While one net worth statement does not give you an accurate picture of your business's profitability, using several years of net worth statements can show trends in the finances of your business.

## **Summary:**

The NF Net Worth Statement can be very helpful in determining the soundness of your finances. By using the financial ratios, you can find out more about the liquidity, solvency, and leverage of your business. This spreadsheet can be used for several years to evaluate what direction your business is going. With this information, you should be able to make better management decisions and, thus, increase the profitability of your business.



# Net Worth Statement (Balance Sheet)

## NET WORTH STATEMENT - FARMERS AND RANCHERS

Name:	SSN or Tax I.D. No.		
Address:	Phone:		
Date of Statement:	Valuation Method:	Market	Cost

ASSETS (Omit Cents)		LIABILITIES (Omit Cents)	
<i>CURRENT ASSETS</i>		<i>CURRENT LIABILITIES (Due in 12 Months)</i>	
Cash and Checking	\$	Accounts Payable (Sch. 17)	\$
Savings and Time Certificates		Unsecured Notes Payable to Lenders (Sch. 18)	
Accounts Receivable		Interest Due: Current (Sch. 17+18)	
Other Investments (Sch. 1)		Non-Current (Sch. 19+20)	
Market Livestock and Products		Taxes Due: Real Estate and Personal Property	
Raised Market Livestock (Sch. 2)		Employee Payroll Withholding	
Purchased Market Livestock (Sch. 3)		Personal and Self-Employment	
Farm Products, Grain and Feed on Hand (Sch. 4)		Contingent Tax Liability	
Cash Investment Growing Crops (Sch. 5)		Principal Due in 12 Months	
Prepaid Expenses (Sch. 6)		Non-Current Liabilities	
Other Current Assets (Itemize)		Non-Farm Liabilities (Itemize)	
		Other Current Liabilities (Itemize)	
<b>TOTAL CURRENT ASSETS</b>	<b>\$</b>		
<i>NON-CURRENT ASSETS</i>			
Notes Receivable (Sch. 7)			
Breeding Livestock		<b>TOTAL CURRENT LIABILITIES</b>	<b>\$</b>
Raised Breeding Livestock (Sch. 8)		<i>NON-CURRENT LIABILITIES</i>	
Purchased Breeding Livestock (Sch. 9)		Notes Payable (Sch. 19)	
Vehicles (Sch. 10)		Real Estate Debt (Sch. 20)	
Net Cash Value of Life Insurance (Sch. 13)		Non-Farm Notes (Itemize)	
Machinery and Equipment (Sch. 14)			
Buildings and Improvements (Sch. 11)			
Cropland (Sch. 12)		Other Non-Current Liabilities (Itemize)	
Pasture (Sch. 15)			
Real Estate (Sch. 16)			
Retirement Accounts			
Securities Not Readily Marketable (Itemize)			
Other Non-Current Assets (Itemize)		<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$</b>
		<b>TOTAL LIABILITIES</b>	<b>\$</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$</b>	<b>NET WORTH</b>	<b>\$</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>TOTAL LIABILITIES AND NET WORTH</b> \$	



**SCHEDULE 1: OTHER INVESTMENTS (Includes Stocks and Bonds)**

Name of Issuer	Type of Investment	Maturity	Purchase Price	Current Value
<b>TOTALS \$</b>				

**SCHEDULE 2: RAISED MARKET LIVESTOCK**

Class	Breed	Number of Head	Average Weight Per Head	Market Value Per CWT	Market Value Per Head	Total Value
<b>TOTAL \$</b>						

**SCHEDULE 3: PURCHASED MARKET LIVESTOCK**

Class	Breed	Number of Head	Average Weight per Head	Market Value per CWT	Market Value per Head	Total Value
<b>TOTAL \$</b>						



**SCHEDULE 4: FARM PRODUCTS, FEED, AND GRAIN ON HAND**

Crop	Quantity	Unit (Bales, Bushels, Pounds)	Price per Unit	Total Value
<b>TOTAL \$</b>				

**SCHEDULE 5: CASH INVESTMENT GROWING CROPS**

Crop	Acres	Value per Acre	Total Value
<b>TOTAL \$</b>			

**SCHEDULE 6: PREPAID EXPENSES**

Description	Date Purchased	Place of Purchase	Units	Price per Unit	Total Value
<b>TOTAL \$</b>					

**SCHEDULE 7: NOTES RECEIVABLE**

Name	Terms	Quantity	Sale		Present Market Value
			Date	Cost	
<b>TOTAL \$</b>					

**SCHEDULE 8:**

**RAISED BREEDING LIVESTOCK**

Class	Breed	Number of Head	Average Weight per Head	Market Value per Head	Total Value
<b>TOTAL \$</b>					

**SCHEDULE 9:**

**PURCHASED BREEDING LIVESTOCK**

Class	Breed	Number of Head	Average Weight per Head	Market Value per Head	Total Value
<b>TOTAL \$</b>					

**SCHEDULE 10:**

**VEHICLES**

Description	Make	Quantity	Purchased		Present Market Value
			Date	Cost	
<b>TOTAL \$</b>					

**SCHEDULE 11:**

**BUILDINGS AND IMPROVEMENTS**

Date	Location	Nature of Improvements	Purchase Price	Present Market Value
<b>TOTAL \$</b>				

**SCHEDULE 12:**

**CROPLAND**

Acres	Legal Description (County and State)	Nature of Improvements	Market Value per Acre	Total Value
<b>TOTAL \$</b>				

**SCHEDULE 13:**

**LIFE INSURANCE (Indicate by X If Any Loans Against Policy)**

Insurance Company Name	X	Policy Number	Face Amount	Net Cash Value	Beneficiary
<b>TOTAL \$</b>					



**SCHEDULE 15: PASTURE**

Acres	Legal Description (County and State)	Nature of Improvements	Market Value per Acre	Total Value
<b>TOTAL \$</b>				

**SCHEDULE 16: OTHER REAL ESTATE**

Acres	Legal Description (County and State)	Nature of Improvements	Market Value per Acre	Total Value
<b>TOTAL \$</b>				

**SCHEDULE 17: ACCOUNTS PAYABLE**

Name	Purpose	Payment Amount	Interest Rate	Amount Owed	When Due	Accrued Interest	
<b>TOTAL \$</b>			<b>TOTAL \$</b>			<b>TOTAL \$</b>	

**SCHEDULE 18: UNSECURED NOTES PAYABLE TO FINANCIAL INSTITUTIONS**

Name of Financial Institution	Purpose of Loan	Payment Amount	Interest Rate	Amount Owed	When Due	Accrued Interest	
<b>TOTAL \$</b>			<b>TOTAL \$</b>			<b>TOTAL \$</b>	



**SCHEDULE 19: NOTES PAYABLE**

Name of Financial Institution	Purpose of Loan	Payment Amount	Interest Rate	Amount Owed	When Due	Accrued Interest
		<b>TOTAL \$</b>		<b>TOTAL \$</b>		<b>TOTAL \$</b>

**SCHEDULE 20: REAL ESTATE DEBT**

Name of Financial Institution	Purpose of Loan	Payment Amount	Interest Rate	Amount Owed	When Due	Accrued Interest
		<b>TOTAL \$</b>		<b>TOTAL \$</b>		<b>TOTAL \$</b>

**FINANCIAL RATIOS**

CURRENT RATIO:	
WORKING CAPITAL:	
DEBT/ ASSET RATIO:	
EQUITY/ ASSET RATIO:	
DEBT/ EQUITY RATIO:	

**SUPPLEMENTAL INFORMATION -- LEASED LAND**

**Lease Name (Property Reference):** \_\_\_\_\_

**Location (County and State):** \_\_\_\_\_

**Date Due:** \_\_\_\_\_

	Acres	Description Crop or No. of Livestock	Market Value per Acre	Rental Rate	Rental Unit Ac/AUM/Gain
<b>Cropland</b>					
<b>Native Range</b>					
<b>Introduced</b>					
<b>Timber/ Special</b>					
<b>Total</b>					

**Lease Name (Property Reference):** \_\_\_\_\_

**Location (County and State):** \_\_\_\_\_

**Date Due:** \_\_\_\_\_

	Acres	Description Crop or No. of Livestock	Market Value per Acre	Rental Rate	Rental Unit Ac/AUM/Gain
<b>Cropland</b>					
<b>Native Range</b>					
<b>Introduced</b>					
<b>Timber/ Special</b>					
<b>Total</b>					

**Lease Name (Property Reference):** \_\_\_\_\_

**Location (County and State):** \_\_\_\_\_

**Date Due:** \_\_\_\_\_

	Acres	Description Crop or No. of Livestock	Market Value per Acre	Rental Rate	Rental Unit Ac/AUM/Gain
<b>Cropland</b>					
<b>Native Range</b>					
<b>Introduced</b>					
<b>Timber/ Special</b>					
<b>Total</b>					

**Lease Name (Property Reference):** \_\_\_\_\_

**Location (County and State):** \_\_\_\_\_

**Date Due:** \_\_\_\_\_

	Acres	Description Crop or No. of Livestock	Market Value per Acre	Rental Rate	Rental Unit Ac/AUM/Gain
<b>Cropland</b>					
<b>Native Range</b>					
<b>Introduced</b>					
<b>Timber/ Special</b>					
<b>Total</b>					

Date \_\_\_\_\_



Signature \_\_\_\_\_

**NOTES:**

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