

Best Practices for Farmers Market Bookkeeping

Chapter 5: Finances, Fundraising & Business Management

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Bookkeeping is one of those behind-the-scenes jobs that makes a real difference in how efficiently your farmers market runs. And yet, between figuring out your farmers market organization's budget and tracking weekly sales, fees, and tokens, accounting can get complicated quickly. This overview shares best practices for farmers market bookkeeping that are based on my experience both as a CPA and providing accounting, consulting, and tax services to the Anacortes Farmers Market and the Skagit Valley Farmers Market Coalition.

Many of the forms mentioned here are available as files to download free from my website: www.foodfromfarms.org. Started in 2016, Food from Farms is dedicated to supporting the growth and sustainability of alternative currency programs, such as SNAP and food access incentive programs, at farmers markets and other farm direct venues.

Accounting Software

While it may be tempting to keep things simple and stick with Microsoft Excel, or for the smaller markets, rely on your checkbook, that is no longer recommended as a best practice. Two of the key reasons are that these systems:

- Do not adequately track all of your cash-flow issues (age of outstanding checks, tokens, etc.); and they
- Encourage reporting at a transaction-by-transaction level, which tends to lead the markets to micro-manage instead of focusing on the bigger picture.

Fortunately, there are more and more accounting software options available for cheap or even free through the Internet. The trick is knowing which one is best for your farmers market organization. The below table compares four different accounting software products: QuickBooks Online, FreshBooks, Wave, and Xero.

Software	Features and Costs*
QuickBooks Online www.quickbooks.com	QuickBooks is the accounting application with the largest market share. New to the QuickBooks approach is an inexpensive online edition that offers an uncomplicated way to do market accounting. It is the most robust of the inexpensive bookkeeping options, running from \$9 a month to \$39 a month (ask your accountant about wholesale pricing).
FreshBooks www.freshbooks.com	FreshBooks is very much more oriented toward basic bookkeeping, rather than true double-entry accounting. It has strong invoicing, time and expense keeping, and optional credit card processing for accepting electronic payments. There's a free version of FreshBooks if your market has simple needs. If you intend to use MarketWurks to help manage your market, they hope to have their software integrate with FreshBooks in the future.
Wave www.waveapps.com	Wave offers a relatively complete set of bookkeeping tools, and for the most part they are free (you do occasionally get hit with ads for products and services from other companies — that's what pays the bills). Wave offers several products — accounting, invoicing (and invoicing from mobile devices), personal financial management, and receipt management. Wave does charge for its payroll service, as well as the ability to accept credit card and electronic payments.
Xero www.xero.com/us	Xero offers three plans, starting as inexpensively as \$9 a month and rising to as pricey as \$70 a month. The least-expensive plan limits you to sending five invoices a month, paying five bills, and reconciling 20 bank transactions, while the two more expensive plans remove these caps and add payroll (in many states, including Washington) for either five or 10 employees, though additional employees can be accommodated for an extra cost.

* Adapted from Needleman, Ted. 2015 March 30. "Cloud Accounting: Side by Side." Accounting Today. <http://www.accountingtoday.com/news/accounting-technology/cloud-accounting-side-by-side-74132-1.html>

Ted Needleman has also created a more complete side-by-side comparison in his [article](#) about "cloud accounting" (March 15, 2015).

Chart of Accounts

One of the foundational tools for any bookkeeping systems is the Chart of Accounts. The Chart of Accounts lists all the "accounts" or primary types of Income and Expenses that your market will be managing. If you work with a bookkeeper or CPA it is recommended

that they review your Chart of Accounts as sometimes specific accounts are needed for doing your taxes and managing the organization.

Typical **Income Accounts** for farmers markets include:

Income Accounts	Income Amount	Percentage of Income
Vendor Booth Fees	\$35,000	70%
Vendor Annual Fees (<i>registration, membership</i>)	3,000	6%
Sponsorships	5,000	10%
Grants & Donations	4,000	8%
Fundraising	2,500	5%
Other Income	500	1%
Total Income	\$50,000	100%

Typical **Expense Accounts** for farmers markets include:

Expense Accounts	Expense Amount	Percentage of Income
Employees & Contractors	\$32,500	65%
Legal & Professional Services	1,500	3%
Education Expenses (<i>Staff training, e.g. the WSFMA conference</i>)	0	0%
Supplies & Equipment	1,600	3%
Rents & Utilities	4,000	8%
Advertising & Promotions	1,500	3%
Market Music & Events	2,250	5%
Dues (<i>e.g. WSFMA</i>)	650	1%
Insurance	1,000	2%
Taxes & Licenses	2,500	5%
Travel (<i>e.g. to conference</i>)	0	0%
Miscellaneous	500	1%
Total Expenses	\$48,000	96%

Note: If your market manages an alternative currency and incentive program, then you will need to include additional expense and income accounts.

See the Balance Sheet example, below, for suggested asset and liability accounts.

Financial Reporting and Budgets

Two of the key financial reports to update, review, and share when discussing market operations are the “Budget vs Actual” report and “Balance Sheet.”

“Budget vs. Actual” Report

The “Budget vs. Actual” report shows what your market budgeted for its fiscal year in one column and compares that to your actual expenses and income. In other words, it compares your Profit and Loss report to your budget for the same period. At the beginning of the year you plan activities and estimate the expenses and revenue based on past experience or research. This is the foundation of any budget.

- **Expenses** should reflect what the organization expects to happen in the next year. They are financial expectations based on past experience or research into new costs.
- **Income** shows your plans for how to pay for these expected expenses. What are your assumptions? What is your plan of action? Typically, this includes collecting stall fees and any fundraising the market can do.

The “Budget vs. Actual” report has the important job of showing where the market is on any given date relative to what the market budgeted in order to accomplish its plans for the year. If market sees that their expenses exceed income more than they want it to, it can (1) cut expenses, (2) work on increasing income, or (3) cease operations. Monitoring your Budget vs Actual report can help your market avoid unpleasant surprises.

Balance Sheet

A balance sheet is important because it shows the liabilities compared to your assets and cash reserves. So, it tells you if you have enough cash to cover what you owe now and pay for other projected expenses. We recommend having a separate account to hold money aside to cover all of the liabilities your market may have from tokens and other alternative currencies. Your market’s Balance Sheet should include:

- **Checking Account.** This is the operating account to deposit fees and pay operating expenses
- **EBT Account (Checking).** You will only need this account if you are processing credit and debit cards, EBT cards, or other currencies. It is a reserve account to auto deposit debit/credit batches, EBT batches, and funds reserved to cover other alternative currencies. This should hold a balance large enough to cover the associated liabilities at all times.

- **Token Liabilities.** You will only need this account if you are processing credit and debit cards, EBT cards, or other currencies. This equals tokens distributed (\$) minus (less) tokens redeemed (\$).
 - Debit/Credit Tokens Outstanding
 - EBT Tokens Outstanding
 - Allowance for Doubtful Tokens Outstanding – reduces liability to amount likely to be redeemed by the public
- **Incentive Liabilities**
- **Payroll & Sales Tax Liabilities**

Note that in the following example that the “EBT Account” balance exceeds the “Token Liabilities.” Also, the “Token Liabilities” are adjusted by an allowance to what the organization expects to actually see used by the public in the future.

Assets	
Checking - Operating	\$5,000
Checking – EBT Account - \$5,500	5,000
Restricted (<i>e.g. by grantor for incentives</i>)	500
Accounts Receivable – Grants (<i>amounts earned, not yet received</i>)	1,600
Total Assets	\$12,100

Liabilities	
Accounts Payable – Grants (<i>amounts owed, not yet received</i>)	\$1,000
Payroll Liabilities	1,500
Sales Taxes Payable (<i>on market merchandise</i>)	100
Gift Certificate Liability	100
Token Liabilities - \$5,000	6,000
Allowance for Doubtful Tokens	(1,000)
Total Liabilities	\$7,700

Equity	
Retained Earnings	\$2,400
Net Income	2,000
Total Equity	\$4,400

Total Liabilities and Equity	\$12,100
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Some farmers markets are part of a coalition of farmers markets operating a joint incentive program such as the one funded by the Food Insecurity Nutrition Incentive (FINI) grant. This can make bookkeeping extra interesting. If you have questions about how to account for and track the individual market and group of markets' data, please contact Food From Farms (info@foodfromfarms.org). We have developed templates and systems to address “coalition bookkeeping” and reporting.

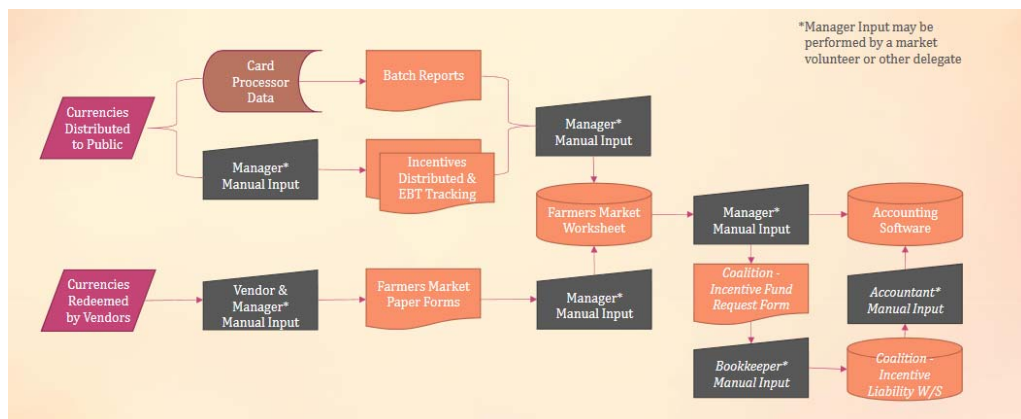
Tracking “Multiple Currencies”

Best Practices for Debit and Credit Tokens

Enabling your shoppers to use their debit and credit cards to get market tokens is a proven strategy to increase your vendor sales. However, working with tokens can get complicated quickly. Here are several best practices to help you have good records and minimize errors and irregularities, and related costs. Investing in good systems and records upfront will actually save your market time and money in the long run. No one can afford the pain of searching down numbers and problem-solving issues, not to mention being caught with inadequate reserves.

- Maintain *accurate* records of outstanding tokens and incentives. This will make sure you have enough cash reserves to cover potential token redemptions in the future.
- Do not allow your vendors to pay their booth fees with tokens. This muddies the water when doing token counts and calculating your outstanding liability.
- Track all non-token credit card transactions (e.g., donations, retail purchases, fundraiser ticket sales). This information is needed in order to have accurate liability numbers.
- Work to make sure that your paper trail is complete in case you are ever audited by the IRS or other agency. This is important if you receive federal grant funds.

SNAP EBT Transactions & Incentive Tracking



Market Day

If you are processing credit cards or EBT cards for customers and giving them a token which you then exchange for money when they are redeemed by a farmer, you will want to be collecting a great deal of information from the vendors on market day. You can find tools to do this at foodfromfarms.org. Below are some of the forms you can find there,

EBT Tracking Sheet (for use tracking incentives distributed with EBT tokens)

Double Up Bucks EBT Incentive Program

Date: _____
Market: _____
Page _____ of _____

	EBT \$\$	DUBx \$\$	Out of State?	Last 8 digits of EBT	Zip Code	First time shopping at a FM?	First time using EBT at a FM?	How did you hear about DUBx?
1								
2								

Incentives Distributed Tracking Sheets (for other incentive dist)

_____ Incentive – _____ Distributed

To _____

Date & Names of Distributors	Incentives Distributed	Signature 1	Signature 2

- Generic Farmers Market Paper Forms – for use tracking tokens and incentives redeemed by Vendors at the Market

Vendor Token Return Form
ONLY ACCEPT tokens that show this market's name.

Vendor Name: _____

Return Tokens and Incentive Currencies in this Envelope

Debit/Credit Tokens: Every vendor may accept green \$5 Tokens. Vendors CAN give change for these tokens.

EBT (Food Stamp) Tokens: **Red \$1 Food Stamp Coupons were purchased with a Washington Quest EBT card and may only be used to purchase eligible food items.** Incentive program dollars may only be used for items indicated on the incentive coupon. **PLEASE READ LIMITATIONS BEFORE TAKING INCENTIVE DOLLARS. Many are for only fruits and vegetables.**

Reimbursement: Please return your tokens in this envelope after every market. Your reimbursement check will be hand-delivered to you in this envelope at the next market. If your next market is more than a week away, and you cannot wait until then, please coordinate your payment with the manager.

Date	Red	Green	Incentive Programs – in \$				Audit Trail		
	EBT \$	Dr/Cr \$	DUBx	FINI	Food Bank	Fees Enclosed	MM Initials	Vendor Initials	

All farmers markets need to be collecting sales data from their vendors to report to the WSFMA. The back of this form allows for the collection of that data. If you are tracking currencies and using an envelope to collect fees, be sure to use the signature columns, assuring that the counts are verified by both a market and vendor representative.

Recordkeeping

As stated earlier, all farmers markets need to be collecting sales data from their vendors to report to the WSFMA. There is a worksheet on the foodfromfarms.org website that will help you compile that data as well as other data important to running your market. It will also help you compile any token and incentive information you may have by vendor and calculate the checks you need to write to them.

- Generic Farmers Market Worksheets – vendor check calculation; tracking redemptions, distributions, other credit/debit transactions, WSFMA data

Dr/Cr Fees = 3.00%		Market 1 (1)							Other WSFMA Sales Totals					
		Check Calculation												
Vendors	Total EBT	Total Dr/Cr	Incentive #1	Incentive #2	Incentive #3	Incentive #4	Fee on Dr/Cr	Check Total	Farm Sales	Processor Sales	Prepared Food Sales	Craft Sales	Other Sales	Grand Total Sales
							\$ -	\$ -						\$0
							\$ -	\$ -						\$0
							\$ -	\$ -						\$0
Other Adjustments							\$ -	\$ -						\$0
Dr/Cr Tokens given for Certificate or Promotion (Use Negative Number)							\$ -	\$ -						\$0
Market Sales - Memberships							\$ -	\$ -						\$0
Market Sales - Donations							\$ -	\$ -						\$0
Market Sales - Fundraiser							\$ -	\$ -						\$0
Market Sales - Retail							\$ -	\$ -						\$0
Market Sales - Gift Certificates							\$ -	\$ -						\$0
Grand Total	\$0	\$0	\$0	\$0	\$0	\$0	\$ -	\$ -	\$0	\$0	\$0	\$0	\$0	\$0
VOLUNTEER HOURS														
														Incentives Distributed

It also allows you to reconcile your token and incentive liabilities.

- Generic Farmers Market Worksheets – batch report input, calculating liabilities and other WSFMA data, reconciling tokens in hand

Pg	Market Date (mm/dd)	Total EBT Transactions (Number)	Total EBT Transaction (Dollars)	Average EBT Transaction (\$ / #)	Total Redeemed EBT Tokens (Dollars)	Unredeemed EBT Tokens (Dollars)	Total Credit Transactions (Number)	Total Credit Transaction (Dollars)	Average Credit Transaction (\$ / #)	Total Debit Transactions (Number)	Total Debit Transaction (Dollars)	Average Debit Transaction (\$ / #)	Total Credit and Debit Transaction (Dollars)	Total Redeemed Credit/Debit Tokens (Dollars)	Unredeemed Credit/Debit Tokens (Dollars)	Outstanding Tokens Balance (net of 3% fees)
	Prior Season End Total				\$0	\$0									\$0	\$0.00
12	Market 12 (12)			#DIV/0!	\$0	\$0			#DIV/0!			#DIV/0!	\$0	\$0	\$0	\$0.00
	Season End Total	0	0	#DIV/0!	\$0	\$0.00	0	\$0.00	#DIV/0!	0	\$0.00	#DIV/0!	\$0.00	\$0	\$0.00	
				Last Rec	\$0						Total Fees	\$0.00	Net of Fees	\$0.00	Total Tokens	0
															Last Rec	1/0/1900

Market Date (mm/dd)	Beginning of Market EBT Accounting Balance	Gross Sales of EBT Tokens to Customers	Total EBT Tokens Redeemed from Vendors	Expected End of Market Count	INPUT Outside Additions, Reductions, Adjustments	INPUT Actual EBT COUNT	EBT Difference Over/(Short)
Prior Season End Total:						\$0	
Market 1 (1)	\$0	\$0	\$0	\$0			\$0

- Why reconcile after QB entry? Catches error and irregularities
- Why do it after every market? Because then you can more easily identify and address the cause of the error or irregularity on a timely basis