



## Budgets

### Budgeted Income Statement

	Prepared Apple Products	Pick Your Own Apples	Community Events*	Total
Net Revenue	\$ 8,749,250	\$ 3,248,700	\$ 2,499,695	\$ 14,497,645
Less:				
Cost of Goods Sold	(7,692,215)	(2,682,356)	(1,536,073)	(11,910,643)
Gross margin	1,057,035	566,345	963,623	2,587,002
	12%	17%	39%	18%
Less:				
Administration costs*				(1,405,000)
Interest on debt				(316,140)
Net income before taxes				865,862
Income taxes (40%)				(346,345)
Net income				519,517

\* Includes CSA, Educational programs, and festivals

	Budgeted Cash Flows				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Full Year
Sales in the Quarter	\$ 3,624,411	\$ 3,624,411	\$ 3,624,411	\$ 3,624,411	\$ 14,497,645
75% collected in this quarter	2,718,308	2,718,308	2,718,308	2,718,308	10,873,234
25% collected from last quarter	950,000	906,103	906,103	906,103	3,668,308
Cash from sales	3,668,308	3,624,411	3,624,411	3,624,411	14,541,542
Less:					
Apple purchases	8,617,033	-	-	-	8,617,033
Direct labor	304,380	304,380	304,380	-	913,140
Other ingredients	31,433	31,433	31,433	-	94,300
Variable overhead	513,000	513,000	513,000	-	1,539,000
Fixed factory overhead	181,250	181,250	181,250	181,250	725,000
Administrative costs	351,250	351,250	351,250	351,250	1,405,000
Income taxes	86,586	86,586	86,586	86,586	346,345
Total cash expenses before interest	10,084,933	1,467,900	1,467,900	619,086	13,639,818
Cash Flow from Operations	(6,416,624)	2,156,512	2,156,512	3,005,325	901,724
Beginning Cash Balance	1,750,000	500,000	500,000	500,000	
Less: minimum cash reserves	500,000	500,000	500,000	500,000	
Cash available for operations	1,250,000	-	-	-	
New short-term borrowings	5,166,624	-	-	-	
Repayment of loan and interest	-	2,156,512	2,156,512	1,169,662	
Outstanding loan balance	5,166,624	3,010,112	853,601	-	
Interest at 3.5% per quarter	180,832	105,354	29,876	-	
Capital expenditures*	-	-	-	950,000	
Ending cash balance	500,000	500,000	500,000	1,385,663	

\*Company is planning to purchase an apple press, which is expected to have a seven-year life and no salvage value. Company uses a 8% cost of capital estimate. This press will be purchased and owned by our Prepared Products group.

	COGS Budget		
	Prepared Apple Products	Pick your Own Apples	Community Events
Beginning Inventory	1,100,000	750,000	180,170
Cost of goods processed:			
Direct labor cost	913,140		
Direct materials cost	4,522,575	2,657,856	1,530,903
Factory overhead cost	2,264,000	-	-
Total Cost of processing	7,699,715	2,657,856	1,530,903
Available for sale	8,799,715	3,407,856	1,711,073
Less: Ending inventory	(1,107,500)	(725,500)	(175,000)
Cost of goods sold	7,692,215	2,682,356	1,536,073

### Budgeted Balance Sheet

	<u>YE 9/30/11</u>
Cash	\$ 1,750,000
Accounts receivable	950,000
Inventory:	
Prepared Apple Products	1,100,000
Pick your Own Apples	750,000
Community Events	<u>180,170</u>
Total Inventory	2,030,170
Fixed Assets	<u>2,830,000</u>
Total Assets	<u><u>7,560,170</u></u>
Accounts payable	1,475,000
Long-term debt	<u>2,150,000</u>
Total liabilities	3,625,000
Shareholder Equity	3,935,170
Total Liabilities & Equity	<u><u>7,560,170</u></u>

\*Note that Anthony's Orchard has long term debt for 30 years, which it has not begun to pay back.

### Administrative Budget

Technology	430,000
Marketing	300,000
Executive Team	300,000
Finance	175,000
Facilities	125,000
Procurement	75,000
	<u>1,405,000</u>

### Transfer Pricing

Usage by operating division

	<u>Technology</u>	<u>Marketing</u>	<u>Executive team</u>	<u>Finance</u>	<u>Facilities</u>	<u>Procurement</u>
Prepared Apple Products	20%	30%	30%	15%	40%	30%
Pick your Own Apples	15%	30%	20%	50%	20%	30%
Community Events	25%	40%	25%	10%	15%	15%
Finance	10%	0%	5%	0%	5%	5%
Marketing	15%	0%	5%	5%	5%	5%
Executive team	5%	0%	0%	5%	5%	5%
Technology	0%	0%	5%	5%	5%	5%
Procurement	5%	0%	5%	5%	5%	0%
Facilities	5%	0%	5%	5%	0%	5%
	100%	100%	100%	100%	100%	100%

Step Down method:

Explore two options of allocating in the following order:

Technology, Marketing, Executive team, Finance, Facilities, Procurement

Executive team, Finance, Technology, Facilities, Procurement, Marketing