**Road Map for Helping Your Organization Prosper**

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*Right now, most organizations and business owners are in triage mode. The goal is to keep your business running by tapping the appropriate funding sources. Once those initial funding sources are in your operating account, we want to help you to think proactively and avoid the paralysis that traps many of your colleagues. Therefore, please use the checklist below to help move your organization from crisis mode to a proactive business continuity planning discussion that can save you money now and lead to long-term revenue and net income growth.*

**Phase 1: Business Triage**

1. ***Conduct a Cash Flow Analysis***: Look at your revenue over the past month and assume that it will stay that way or decrease for the next 6 months. Then subtract your monthly variable and fixed costs from this revenue number each month for 6 months. Finally, take your current cash balance and see how long it will cover your earnings shortfall. This exercise can take as little as 15-20 minutes, but it will give you important information as to what areas of your organization need cash so the entire enterprise can survive.
2. ***What Government Funding Option is Right for You***:
   1. ***Paycheck Protection Program Loan (PPPL)***: If you have a payroll, then our first suggestion is to consider a PPPL. This can help you cover not only payroll but also rent, mortgage and/or utility costs, the loan can be partially or fully forgiven, and the terms are favorable (2 years at 1%). These loans are applied for through your business credit union or bank. For more information please click [here](https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp#section-header-3).
   2. ***SBA Economic Injury Disaster Loan (EIDL)***: For those organizations with a longer term need for working capital, an EIDL is a good consideration. Maximum rates are 3.75% (2.75% for non-profits) and loans can be up to $2 million. If you have large fixed costs, this loan is a good choice. We also encourage you to think about an EIDL loan after you have gone through the PPPL funds, especially if your cash flow projections show you will need more cash between now and September. Finally, the SBA may give you an advance of up to $10,000 that will not have to be repaid. For more information please click [here](https://covid19relief.sba.gov/#/).
3. ***Do You Have a Line-of-Credit (LOC)?***: Many organizations have a standing line-of-credit with their credit union or bank for large purchases, acquisitions and/or expansion. However, this is a great source of cash, so we suggest talking with your banker about the current terms for your LOC.

**Phase 2: Proactive Planning**

1. ***Conduct an Activities and Services Assessment***: Are there areas of your organization that are not essential to your core operations? Once you stabilize your organization, we encourage you to be proactive by engaging your team in a discussion about the value each activity and/or service you provide brings to the organization. For example, your organization could have activities such as an annual community food drive and could provide specialized services to veterans and their families. The idea with this assessment is to prune areas that are time consuming and produce lower margins while focusing resources on your top producing areas. To help you with this task, feel free to use our complimentary **“Activities and Services Analysis Template”** tool with your team.
2. ***Contact Your CPA About Amendments to Net Operating Loss (NOL) and Excess Business Loss (EBL) Rules***: Business owners can now offset 100% of their taxable income for 2018, 2019 and 2020 with NOL's incurred in those years.  If you do not file as a C Corporation, EBL limitations for 2018, 2019 and 2020 have now been removed.  Therefore, we suggest business owners talk to their accountant because you may be able to reduce or eliminate your tax liability in a prior year(s), which could lead to a refund.  While the refund would not be available until you file your 2020 return, the prospect of additional liquidity is worth pursuing.

**Phase 3: Operational Assessment**

1. ***Document Your “Red Flags” and How You Will Mitigate Them***: A full operational assessment will give you a good idea of areas where you need to focus the efforts of your Business Continuity Plan. No matter how streamlined your operations, each of us has areas where we are not strong and therefore, we need to create a plan to mitigate our weaknesses. Areas we see that typically need focus:
   1. ***Succession Planning***: Most people think of succession planning from the perspective of an owner’s death. In our experience, it is much more likely that tough decisions about leadership and ownership will have to be made due to disability, divorce or even early retirement. We encourage you not to avoid succession planning just because it may sound a tone of finality.
   2. ***Legal Documents***: We all know this is important but how many times do we review contracts with suppliers or buyers, operating agreements, loan documents or estate plans? Each of these is an important piece of your business continuity plan because a poorly worded legal document can leave you struggling for positive cash flow.
   3. ***Who will handle what task***?: If something were to happen to you, who would run payroll? Who would decide about hiring and firing? How would your family interact with your managers? We encourage you to have a conversation that includes your key employees, your family and any close advisors (e.g., CPA, investment advisors, attorney) so that you can write down what roles each will fill in the event of your absence. Transparency is the key to properly writing and executing a business continuity plan.

To help you create a roadmap for your organization, Stratus offers the following tools:

1. ***Free*** [30-minute phone consultation](https://www.heraldmailmedia.com/news/state/stratus-wealth-advisors-offers-complimentary-financial-consultations/article_ec38ffbd-0ab5-5032-9f29-b08c382dc7d8.html) about any topics that are on your mind; and
2. ***Free*** operational assessment survey through our website - <https://stratuswealthadvisors.com/stratus-valuation-assessment>. The assessment takes about 10-15 minutes, a small investment of your time that could yield significant benefits.

We wish the best for each of you and hope you, your family, your employees and your community remain safe and healthy as we all come together to create a stronger future.

*Sam Brownell, CFA®, CVA®, is the founder of* [*Stratus Wealth Advisors*](http://www.stratuswealthadvisors.com/)*, offering fee-only financial planning, investment management, business valuation and business consulting to individuals, families and small-to-mid-sized businesses.*