



Financial steps businesses should take now to weather the future

by Brian Medley, Founder and Principal, VertexCFO

We recognize that with the constantly changing COVID-19 situation around the world, this is an unprecedented and uncertain time for everyone.

We all face extraordinary challenges ahead, but your business can take measures now to position yourself financially. We all want to see businesses continue to thrive as they serve their customers. As we navigate these uncertain times, we are resetting expectations and need to stay agile and fluid with the constant changes we are facing.

Here are some key strategies we are using with businesses during today's challenges.

- 1. Update your financial budget model and projections.** This lets you run multiple scenarios for planning purposes. If your business doesn't have a financial model, it's not too late. The sooner you can develop this information, the better – you'll have a tangible plan and will be able to manage according to your plan.
- 2. Preserve cash.** Preserve cash. Think through any cost-cutting opportunities that may help you quickly. Be prepared to make hard decisions by knowing the key financial levers that can positively impact your business.
- 3. Postpone distributions** to owners unless it is for tax purposes only. It's best to keep cash reserves strong right now. The IRS has postponed the April 15, 2020 due date for filing 2019 income tax returns to July 15, 2020. In addition, federal income tax payments (including payments of self-employment tax) in any amount can be deferred to July 15, 2020. The \$1 million and \$10 million limits required in Notice 2020-17 have been removed. The amount able to be deferred to July 15, 2020 includes the balance due for a taxpayer's 2019 federal income tax return and the 2020 estimated tax payment payable on April 15, 2020. We recommend staying in close contact with your tax accountant as information is fluid and changing.
- 4. Manage accounts receivables and accounts payables.** Maintain a timely billing system and monitor your accounts receivables and collections. Conserve cash by being mindful of vendor terms. Keep your payments current while maximizing vendor terms. Re-negotiate key vendor terms to provide more opportunity regarding the timing of payments.
- 5. Maximize your banking relationships to secure lines of credit and manage FDIC insurance risk.** Pay close attention to terms and advance requirements on lines of credit. Note that you may be able to re-negotiate terms or increase your line of credit availability on your existing lines of credit. Review your accounts and FDIC insurance risk and work with your team and banker(s) to align your cash with your risk profile.
- 6. Stay abreast of city, state, and federal business emergency assistance available to you (e.g. SBA is providing assistance for certain counties that have been impacted).** Right now, these

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programs remain very fluid and can be a sensible way to potentially access funds. Be sure to check for assistance opportunities often. Stay alert and be on the front end of applying, because the programs will get overwhelmed quickly with applications and questions.

- 7. Ensure your IT systems, accounting software, and key operating systems are accessible.** Put remote desktop or other hosting site services, conference and video conferencing tools to use where appropriate. Verify that your employees have access to the systems they need to continue working.
- 8. Review your insurance policies for business interruption.** Most likely, there is a clause or exception; however, if certain governmental actions are taken, there may be an exception or ability to file a claim. Work closely with your broker and understand how this could be accessible based on the current situation.
- 9. Evaluate your PTO and sick leave policies** to make sure you are in compliance.

Let's all be proactive and together face our future as prepared as we can be. Let's stay focused on what we can do right now to stabilize our own businesses as we support one another to succeed.

VertexCFO is working closely with our clients to be prepared for the changes and to help navigate these critical issues. We are committed to being highly effective and efficient for our clients during these challenging times. Feel free to contact us anytime with questions.

Brian Medley is Founder and Principal, VertexCFO, a Denver-based fractional CFO and Controller company offering expertise to middle market and well-funded start-up companies. VertexCFO specializes in making sense of complex financial information, providing CEOs and entrepreneurs sound data to run their businesses – including budgeting, forecasting, cash management, and accuracy of monthly financials. www.vertexcfo.com

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(303) 810-7346

